Health-care fix: The role of a public option

by Gary Dorrien in the July 14, 2009 issue

Longtime advocates of single-payer insurance like me are thrilled, anxious and deflated simultaneously by the state of the debate on health-care reform. The debate that we wanted has finally come, and it is coming with a legislative rush, but the plan that we wanted is being excluded from consideration. Should we hold out for the real thing, or get behind the best politically possible thing?

I am for doing both: Standing up for single-payer without holding out for it exclusively; supporting a public option without denying its limitations; and hoping that a good public plan will lead eventually to real national health insurance.

Single-payer basically means Medi care for everyone, without the copays and deductibles of the current Medicare system. It is not socialized medicine, as in England or Spain, where doctors and hospitals work for the government. It does not violate the takings clause of the Fifth Amendment, which bars the government from taking private property for public use without appropriate compensation, since it does not nationalize any private firms. The single-payer plan is a system of socialized health insurance similar to that of Canada, Australia and most European nations. Essentially it is an extension and improvement of the Medicare system, in which government pays for care that is managed and delivered in the private sector.

We don’t need private health insurance companies. We certainly don’t need a system that wastes $450 billion per year in redundant administrative costs and leaves 45 million Americans without health coverage. We could do without a system that excludes people with pre-existing medical conditions and limited economic resources. We don’t need a system that cherry picks profitable clients and dumps the unprofitably ill in HMOs featuring lousy care and little choice. Businesses and other employers would do much better not having to provide health coverage for their employees, who often end up underinsured. We could do better than a system that ties people fearfully to jobs they want to leave but can’t afford to lose because

they might lose their health coverage.

Health care is a fundamental human right that should be available to all people regardless of their economic resources. A society that takes seriously this elementary principle of social justice does not relegate the poor and underemployed to second-class care or status. The only Western democratic society that doesn't even try to live up to this principle is the United States. When wealthy and middle-class people have to rely on the same health system as the poor, as they do throughout Europe, they use their political power to make sure it's a decent system.

But single-payer deliverance is not on the agenda for President Obama and this Congress. The insurance companies are too powerful and politically aggressive to be retired in one legislative stroke. The House bill that calls for replacing for-profit insurance companies has only 79 cosponsors, and the Senate bill has only one—Bernie Sanders.

Obama rightly urges that significant health-care reform has to happen this year if it is to happen on his watch. In May he told a town hall meeting in Rio Rancho, New Mexico, that if one were starting from scratch, a single-payer system might be the best option. However, he observed, "the only problem is that we're not starting from scratch." The system that we have comprises 14 percent of the nation's gross domestic product. Reinventing something that big and politically connected has no chance of happening this year.

The best we can hope for this year is a public Medicare-like option that competes with private plans. This reform would save only 15 percent of the $350 billion insurance overhead costs that converting to single-payer would achieve. Most versions currently being touted would not get everyone covered, though Obama suggested recently that he might be open to changing his position on requiring all Americans to have health coverage. In any case, even the better proposals along this line, like the one that Senator Ted Kennedy has championed for years, would not get us close to equality in health care. But a strong reform bill would offer an important alternative to private health insurance that might pave the way to real national health insurance.

The insurance companies are gearing up to prevent a public plan because they don't want to compete with one. The American Medical Association doesn't want one either—which preserves its bad-smelling record in this area. The AMA was against

Medicare, it has opposed every previous proposal for universal coverage, and today it is against providing a public option even for people lacking the economic means or opportunity to buy health insurance.

Princeton economist and *New York Times* columnist Paul Krugman is almost right in contending that the crucial either/or of the battle over health care is whether reform delivers a public option. But Krugman's point needs to be put more precisely. The acid test is not whether reform delivers a public plan, but whether it delivers a good one. A good public plan would be open to all individuals and employers that want to join. It would allow members to choose their own doctors. It would eliminate high deductibles. It would allow members to negotiate reimbursement rates and drug prices. The government would run it. And it would be backed up by tough cost controls and a requirement that all Americans have health coverage.

A bad public plan, however, would be worse than getting nothing. A plan that isn't open to everyone or that prevents choice or negotiation would be a plan designed to fail. It would take the pressure off private companies to do something about the uninsured and underinsured without solving the problem. It would be like Medicaid—poorly funded and managed because its beneficiaries lack political power. The failure of a designed-for-failure plan would kill the cause of real national health insurance for another 16 years. Some insurance industry leaders, having figured this out, are ready to indulge a bad plan. The political task for health-care reformers is to create and push through a public plan worth having.

In this phase of the debate, political and industry opposition to health-care reform is mostly warning that a public option means socialized medicine. A fair amount of time has to be spent repeating over and over that single-payer is not socialized medicine, and a public option among private competitors is even farther from it. But we are approaching the point where opponents of health-care reform will start to stress the opposite concern. Their concern is not that a government program won't work. The real worry, for all who want to keep the present system, is that a government program will work too well.

Overwhelming majorities in blue and red states alike would love to dump their policies containing high deductibles and health exclusions. A public plan could be a magnet for health-care workers that got into this business to serve human needs, not to be cogs in a profit machine. If that happens, opponents will have been right about one important point. Mere reform could lead to the real thing, a single-payer system where substantial savings and equality are achievable. Medicare's average

overhead cost is 3 percent, and provincial single-payer plans in Canada average 1 percent. HMOs range between 15 and 25 percent. If we create a public plan that people want to join, we may well go the rest of the way too.