

Obama's 'Public Plan' Can't Deliver On Promised Health Care Benefits

By MERRILL MATTHEWS | Posted Tuesday, May 05, 2009 4:20 PM PT

One of the more contentious issues to emerge in the health care reform debate is what President Obama has referred to as the "public plan." What exactly is the public plan, and how does it work?

No one knows for sure, or I should say those who know aren't talking.

The president has described it as a Medicare-like health insurance program that anyone could join. It doubtless would be run by the government and largely subsidized by taxpayers, just like Medicare. And because Medicare imposes price controls on hospitals and physicians, you can bet the public plan would too.

The president has also said the plan would provide coverage benefits similar to the plans covering members of Congress, which means it will be comprehensive — and expensive.

Proponents will claim the price controls in the public plan will keep costs down — though they would be hard-pressed to provide any evidence for that claim. Medicare is going bankrupt faster than AIG, and faces an unfunded liability of \$84 trillion, according to the Medicare trustees.

Medicare is about as good at controlling health care spending as Fannie Mae was at assessing qualified home-loan applicants.

Excessive Fraud

While price controls don't save money, Medicare's low reimbursement rates are affecting seniors' access to care. According to a survey by the American Medical Association, 60% of doctors say they will limit the number of new Medicare patients they see — even as Obama complains about a shortage of primary care physicians.

Although health care reform proponents claim that costs for treating the uninsured are being shifted to those with insurance, increasing their premiums, the fact is that public plans such as Medicare and Medicaid are the biggest source of cost shifting to the private sector.

Then there's fraud. Sen. Chuck Grassley, R-Iowa, along with other government officials, suggests that Medicare has about \$60 billion a year in fraud. Ponzi schemer Bernard Madoff defrauded people out of some \$50 billion, and the public and media went (justifiably) berserk. Medicare has \$60 billion of fraud each year, and the president and the Democratic leadership in Congress want to make it a health insurance model for the country.

Defenders will also claim that the public plan, again like Medicare, will have low administrative costs, making it more cost-effective than private insurance.

Hidden Costs

Speaking of scams, the argument that Medicare's administrative costs are 2% is one of the biggest scams out there.

Public figures for Medicare's administrative costs count only what it takes to print reimbursement checks. Normal operating costs — **rent, management, health insurance, taxes, capital to start a business and new equipment** — **which private insurers must include in their administrative costs, are counted elsewhere in the federal budget.**

Official Medicare administrative costs simply exclude what most companies must include. **No administrative cost savings exist in the public plan, and the true costs will never be counted because they'll be hidden in the federal budget.**

Rep. John Shadegg, R-Ariz., says his Democratic colleagues defend the public plan by claiming it will increase competition, forcing the private sector to keep its prices down and efficiency up. So he has been asking those colleagues: If that's true, why shouldn't the government also create a public plan for, say, life and auto insurance? Good question.

Or how about a public car, owned and manufactured by the government to compete with private sector-manufactured cars? Oh, wait, maybe we already have public cars: Chrysler and GM.

The biggest problem with the public plan is it will be in direct competition with the private sector. Like Medicare, Congress will heavily subsidize it and hide the costs, making it financially more attractive compared with the private sector.

Also like Medicare, it will initially appear open and unrestricted. But as costs begin to explode much faster than Congress predicted — the government's actuaries estimated in 1965 that Medicare Part A would cost \$9 billion by 1990; it cost \$66 billion that year — **the government will begin to clamp down on providers and services.**

Health care providers will begin to drop out — if they're allowed to. And access to innovative, and often costly, treatments and drugs will be excluded. **This isn't guesswork. It happens in all single-payer countries and is beginning to happen in Massachusetts' much-lauded health care reform plan.**

Covered No More

Although the public plan will be touted as just one choice among many at the beginning, expect employers to dump their employees into the public plan. Why should they pay the extra dollars for private insurance if there's a less expensive alternative? So much for the president's promise that if you like the coverage you have now, you'll be able to keep it.

The stakeholders in the health care system — providers, insurers, drug and medical device companies, employers and even some patient groups — recognize the negative impact of the public plan. It's the closest we've been to creating a "Medicare for all" plan, and it's just around the corner.

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