Health Reform May Hinge on Public Plan Option

BY MARY ELLEN SCHNEIDER

The chances of passing health reform legislation this year could depend on whether lawmakers can resolve their differences over the public insurance plan option.

The proposal to include a government-sponsored health plan that would compete against private insurance became a major wedge in the health care debate, and how much to pay physicians under such a plan emerged as a key sticking point, according to observers.

"It could wind up bringing down the whole agenda," said Grace-Marie Turner, president of the Galen Institute, a nonprofit research organization that advocates for free market ideas in health care.

Ms. Turner, who opposes the public plan option, said that although Democrats have control of the presidency and both chambers of Congress, there is disagreement within their own ranks, with many moderate and conservative Democrats opposed to a public plan.

The idea of a public plan was debated extensively at the recent policy-making meeting of the American Medical Association, where the delegates ended up endorsing "health system reform alternatives that are consistent with AMA principles of pluralism, freedom of choice, freedom of practice, and universal access for patients."

The AMA has stated publicly that it does not support any plan that would force physicians to participate in a public plan or that would pay physicians based on Medicare rates. The AMA has said, however, that it will consider some of the variations on a public plan that are being discussed in Congress now, such as a federally chartered co-op health plan.

Officials at the American College of Physicians agree that provider participation in any plan should be voluntary and not tied to current participation in Medicare. The college also advocates for payment rates to be competitive with commercial payers, rather than based on the low rates now offered by Medicare.

But the ACP also sees potential advantages to creating a public plan, according to its president, Dr. Joseph W. Stubbs. A public plan could provide a "nationwide blanket" of fall-back coverage, which would be especially helpful in areas of low penetration by insurance carriers. It could also offer a mechanism for rapidly introducing new models of care and reimbursement, such as the medical home concept. A public plan could also be a way to hold private plans accountable in areas where there is little competition.

"The devil will be in the details as far as whether this is a good idea or not," Dr. Stubbs said.

Meanwhile, other physicians have been disappointed by talk of a public plan for different reasons. Dr. David Himmelstein, an associate professor of medicine at Harvard University in Boston and the cofounder of Physicians for a National Health Program, said what's being discussed in Congress now is really "just a clone of private insurance."

Dr. Himmelstein, who favors a single-payer health system, said a public plan would fall far short of realizing the savings that could be seen with a single-payer system. A public plan wouldn't even be able to achieve the type of low overhead seen with Medicare, he said, which benefits from automatic enrollment and easy premium collection, and has no need to spend money on marketing.

President Obama, who reached out to physicians for support at the AMA meeting last month, said he understands that many physicians are skeptical about how they would fare under a public plan. In his speech to the AMA, President Obama said he intended to change the way physicians get paid, rewarding best practices and good patient care. "The public option is not your enemy," he said. "It is your friend."

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"The public option is not your enemy," President Obama told AMA delegates.

Part of the problem with evaluating the public plan option is that there isn't just one. Among the health care reform proposals circulating in both the House and the Senate, some include a government-run or quasi-government-run option to compete with private insurance.

The purest form of a so-called public plan would be one that is something like Medicare, where federal dollars, not just premiums, are used to support it, said Kathleen Stoll, health policy director at Families USA, which supports the general idea of a public plan but hasn't thrown its support to a particular proposal. But many lawmakers and analysts have said this design would give the public plan an advantage over private insurance products and cause private payers to leave the market, she said.

A proposal put forward by leaders in the House would create a public plan on the same footing as other insurance plans. For example, public and private plans alike would have to adhere to the same benefit requirements and insurance market reforms and would have to be financially self-sustaining based on premiums. This proposal would not require participation by physicians but initially would use payment rates similar to those of Medicare. Rates would be unlinked from Medicare rates over time as other payment mechanisms were developed.

In the Senate, an approach getting a lot of attention is to create not a public plan but rather a federally chartered, nonprofit cooperative plan, Ms. Stoll said. This proposal is seen by many as a compromise between a government-run plan and no public plan at all.

Overall, the discussion on a public plan is heading in a direction that is positive for physicians, said Elizabeth Carpenter, associate policy director for the Health Policy Program at the New America Foundation, a nonpartisan think tank.

At the beginning of discussions on health care reform, the thinking was that a public plan would use Medicare rates in paying physicians and other providers. Now that idea seems to be losing support, Ms. Carpenter said. Instead, in those cases where reform proposals are referencing Medicare rates, those rates are intended only as a starting point, she said. ■