

# Can a New Public Option Be A Step to a Single Payer?

August 4, 2009

These are my remarks in a debate/discussion on the topic "Can a New Public Option Be A Step to a Single Payer?" sponsored by Democratic Socialists of America (DSA), July 22, 2009, at Bluestockings Bookstore, Manhattan. I was debating with Mark Hannay. **Can a New Public Option Be A Step to a Single Payer? My answer is "no."**The movement for healthcare reform is facing a great opportunity

- But today we see all the makings of a healthcare fiasco unfolding before our very eyes - in the name of "feasibility."
- We need to act quickly and clearly to rescue the opportunity for real reform, to prevent it from being squandered by misnamed "realists."
- We see the most politically "feasible" proposals before Congress that
  - Will keep millions uninsured (According to the Congressional Budget Office, the "public option" reform proposed in the House "tri-committee" bill might insure 10 million people and would leave 16 to 17 million people uninsured.
  - Will be expensive, unaffordable and unsustainable. To illustrate, the House bill HR 3200 (the misnamed America's Affordable Health Choices Act of 2009) says that:
    - a couple with family income of \$35,000 would receive a subsidy and pay up to \$2450 per year premium, with a cost sharing burden of 15% of medical costs with an out-of-pocket family limit of \$10,000 per year. Total exposure: \$12,450 of covered medical expenses.
    - a family of three, with family income of \$72,000 would receive a subsidy and pay up to \$7920 per year premium, with a cost sharing burden of up to 30% of medical costs with an out-of-pocket family limit of \$10,000 per year. Total exposure: \$17,920 of covered medical expenses.
  - Will not restore to patients the right to choose their own doctor and hospital - a right that has been largely taken from them by private insurance companies, who have their own networks and panels that they restrict patients to.
  - Is set to burden states with paying for millions of new Medicaid patients (states pay roughly one third of Medicaid costs)
  - Will mean that most people will continue to get their coverage through private insurance companies and will be forced to buy insurance of questionable value.
  - Will mean that employer-based insurance will continue unchanged, with employers free to change coverage at any time, insurers free to change their physician and hospital networks, and employees still locked into their jobs if they want to keep their coverage.
  - While the uninsured will be mandated by law to purchase health insurance, the Congressional bills place no limit on what the private insurance companies can charge for premiums, or how great their deductibles and co-pays can be.
  - Will cut Medicare - something I take pretty personally
  - May even tax health benefits for those who are today decently insured
  - In the wings, frightening talk about how we may have to stop paying for people in the last six months of their lives, since that is so expensive. (of course doctors tell us that you rarely know what the last six months are until after the fact of death.)
    - Truly chilling talk from President Obama, who seems willing to use his own grandmother as an example of how perhaps we are spending too much money on

the dying

- My own experience with my father, who was dying of prostate cancer in the last years of his life, makes me very bitter about this approach. I am not willing to sacrifice those precious, sweet years with him in order to feed the insurance companies and their profits and their waste. (ENDNOTE 1)
- And finally, if there is a “public option” at all, the “feasible” bills before us will create a weak and ineffectual one – hardly a “gamechanger”
- The net result: an unpopular system that threatens to discredit the whole idea of government responsibility for insuring universal health care
- We need to do everything we can to figure out how to avoid this fiasco
- But to do this, we need to understand how we came to such a pass.
- The root of the problem lies in the trap of the false feasibility argument.
- In the name of “feasibility,” leading healthcare reform proponents like Healthcare for America Now! (HCAN) decided not to fight to eliminate the insurance companies from any central role in our country’s health care system.
- A single payer system would insure everyone, give people the right to choose their own doctor and hospital, and, by having a single insurer instead of the 1500 we have now, save \$400 billion a year in administrative costs
- That \$400 billion would come from direct savings in dollars now spent on premiums, indirect in saving doctors, hospitals and other provider huge administrative costs.
- Instead of working for single payer, though, reformers like HCAN introduced the idea of a “public option” to coexist with the mass of private insurance companies
- By pursuing this road, they argued, we could get real health care reform without an unnecessary confrontation.
- This idea was championed in one form or another by President Obama, and most leading Democratic Party politicians – not surprising given the Democratic Party’s overall accommodation to corporate power.
- (We see a similar scenario in relation to the economic crisis, and in foreign policy, where the Democrats have subordinated their reforms to the logic and interests of Wall Street and the corporations.)
- The health care reform movement, rather than challenging these politicians to do better, followed their lead and accepted the public option approach. They accepted the premise that we should seek health care reform without a fight to push the private insurers out of a pivotal place in our healthcare system.
- **This public option approach is, IMHO, like struggling to pin wings on a water buffalo in the hopes that then it will fly**
- **For basic structural and systemic reasons, the public option can’t serve as a stepping stone to single payer or real healthcare reform because it is embedded in a system that**
  - can save no more than one seventh of the amount that a single payer system would (public option or no public option)
  - leaves the private insurance companies in the drivers seat, where they can continue to do damage to real health care,
    - in relation to the public option, this damage would involve steering the sick into the public option by such methods as
      - overmarketing to the healthy
      - undermarketing to the sick
      - contouring benefits to make the program unattractive and unworkable for the very sick
      - using their clout to see that the public option is underfunded
      - then stigmatizing the public option as producing poor service, then

trumpeting the idea this shows that the government can't do anything right.

- This \$400 billion that single payer could save is crucial
  - It has been estimated that insuring the uninsured would cost \$200-\$300 billion a year.
  - **If the money doesn't come from single payer savings, where it is going to come from?**
- The scary proposals we are now seeing coming out of Washington is where.
- **I would ask every single person who is proposing health care reform without single payer to tell us where the money is going to come from.**
- The story of the evolution of the Public Option is very educational. I strongly recommend that people read Kip Sullivan's essay "Bait and switch: How the 'public option' was sold." You can find it on the Physicians for a National Health Program blog at [www.pnhp.org](http://www.pnhp.org)
- In my opinion, even a "robust" public option wouldn't work.
- But it is illustrative to see what happened to the strong public option that was proposed at the outset of the current debate by Jacob Hacker
  - According to Hacker, the Public Option had to be pre-populated with tens of millions of people, that is, it had to begin like Medicare did representing a large pool of people the day it commenced operations (Hacker proposed shifting all or most uninsured people as well as Medicaid and SCHIP enrollees into his public program)
  - Subsidies to individuals to buy insurance would be substantial, and in his original 2001 version, Hacker says that only Public Option enrollees could get special subsidies (people who chose to buy insurance from insurance companies could not get subsidies) (ENDNOTE 2)
- Compare that to the current public option proposals, which leaders of HCAN (e.g., Roger Hickey) have described the public option in the current House Tri-Comm and Senate HELP bills as "robust," in spite of the fact that
  1. only the uninsured can have access to it , i.e. if you have what is deemed to be adequate and affordable coverage from your employer you cannot enter the public option
  2. it has to follow the same financial rules (be self-financing with no government subsidy, same cost-sharing options, etc.) as private plans.
- If this is a "robust" public option, what would "weak" one look like?
- Kip's title "Bait and Switch" may seem to suggest that it was a deliberate plot on the part of Roger Hickey and HCAN. I don't think so, and neither does Kip.
- I think it grew out of a sincere desire to curb the power of the insurance companies, but followed a natural logic, once the premise was accepted that you should sidestep an outright confrontation with the insurance companies.
- So when Karen Ignani (representing America's Health Insurance Plans) et al started complaining some weeks ago about how the public option would mean that there "no level playing field" and the private insurers would be threatened, the response from Democrats in Congress was to rush to water down Hacker's original proposal. To keep it "feasible." To my knowledge, there was no protest from HCAN and other proponents of the public option about this process of accommodation by the politicians.

#### NEXT STEPS:

- It is now obvious, as Kip Sullivan has said, that the Republicans will demonize any public option, no matter how skimpy, as an opening wedge to single payer
- So let's fight for single payer in the first place, the only really feasible way to have decent and universal health care.
- This would have a critical educational impact at this time of intense interest
- We need to address people's fears and concerns about government insurance head on, not reinforce those fears by assuring them that they can "keep what they have now."

- Such “reassurances” accept the premise that government insurance is suspect and inferior. These reassurances are also a lie, since people have not been able to “keep what they have” for several years, as their private plans have been eroded again and again by higher co-pays, premiums and deductibles.
- This education about the value and necessity of public insurance is essential to building the kind of movement we need to win real reform.
- It will be difficult
- But it can be done, but only if we try.
- I invite public option people to join with us in building a civil rights movement for the 21st century, rather than steering people into a vain, illusory effort to make water buffalo fly. Such an effort will prove disheartening and disorienting.
- We have going for us the well-earned distrust that most people in American have toward the insurance companies
- We need to build on that, and tell people that if they exercise their power, they can see that “it doesn’t have to be this way.”

POSTSCRIPT: In the discussion, Mark Hannay (the person I was debating that evening), said that he himself had been developing concerns about the health care reform bills as they were emerging from the House and Senate – which I was pleased to hear but which prompted me to wonder why he hadn’t aired those concerns in his original presentation. Mark then said that an important factor to consider in deciding how to approach the current bills is the fact that their defeat will be a setback for the Obama administration and for healthcare reform. To which I replied that it was imperative for us now to distinguish real healthcare reform from the House and Senate bills precisely to avert that interpretation. Moreover, as Len Mell pointed out from the audience, if those bills, or anything like them pass, they will have very bad consequences for millions of people, what with the mandates to buy inferior insurance, cuts to Medicare, etc. And this will have very bad consequences not only for the Democrats who passed those bills but also for those who identified with them. After the session Len Mel came up to me and made additional crucial points: 1) that a very dangerous retrograde methodology is being legitimized in this debate – that progressive reforms need to be “self-financing,” which of course undermines the prospects for positive social change, and 2) that we can build one public program (e.g. the Public Option) by undermining another (Medicare). He challenged Governor Howard Dean on this very point at a recent community meeting.

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I’ll quote from three sources: Hacker’s 2001 paper, 2007 paper, and the Lewin Group’s 2008 evaluation of Hacker’s 2007 paper (which Hacker loves to cite). Only in Hacker’s 2001 paper is it crystal clear non-PO enrollees won’t get subsidies. In his 2007 paper, and in Lewin’s 2008 paper, they merely assert that enrollees in the PO will get subsidies; they don’t go out of their way to say non-enrollees won’t. (By the way, I can’t actually find a version of Hacker’s paper with 2001 on it. The version I cite in “Bait and switch”

has a 2003 date on it, but every time Hacker mentions that paper he says he wrote it in 2001. Moreover, the version that is available has no page numbers on it. I had to write my own page numbers on it.) From Hacker, "Medicare Plus: Increasing Health Coverage by Expanding Medicare," 2001:

"Second, this proposal limits new subsidies for coverage to those insured by Medicare Plus. Although the rationale for this feature is discussed in the next section, the important point to note is that it further reduces the budgetary costs of the plan." P. 20 "Under this proposal, Americans with incomes below 300 percent of the poverty level would receive highly subsidized coverage if their employer elected to make payroll-based contributions to Medicare Plus, but only existing federal tax subsidies of they did not. Thus, a low-income worker whose employer sponsors coverage would receive significantly less in federal subsidies than a similarly situated worker enrolled in Medicare Plus. ... "[P]roviding income-related subsidies to all workers would be complicated (would subsidy amounts vary by region, for example, or with the health characteristics?), and it could raise costs dramatically. It would also, of course, discourage employers with low-wage workers from enrolling in Medicare Plus by reducing the expense of providing employment-based coverage. This, in turn, would reduce the ability of Medicare Plus to pool risk and provide common protection to low-wageworkers. In addition, there would be no guarantee that subsidies would cover a reasonable portion of the cost of coverage, as there would be under Medicare Plus." Pp. 21-22

From Hacker, "Health Care for America....." 2007:

Footnote 2: This proposal builds on a plan developed in 2001 for the 'Covering America' project sponsored by the Robert Wood Johnson Foundation. Although the key features of the proposal have not changed, a number of provisions have been altered or updated. Readers interested in the earlier proposal ('Medicare Plus') .... can find....." p. 12. "The Health Care for America Plan would provide extensive assistance to enrollees to help them afford coverage. For those enrolled in the plan at their place of work, anyone whose income was below 200% of the poverty level would pay no additional premiums." Hacker goes on to say subsidies would phase out by 300% of poverty." P.4.

From Lewin Group, 2008:

"The Proposal would create Health Care for America (HCA) which would be a new national health insurance pool modeled after Medicare..... People who do not obtain coverage voluntarily would be automatically enrolled in Health Care for America. Low-income enrollees would receive subsidies to help pay their premiums on a sliding scale based on income." P 3 "As described above, Health Care for America premiums would be lower than comparable private insurance due to lower provider payment rates, administrative costs and low-income subsidies." P. 13. "Those enrolled in HCA are automatically

enrolled in a fee-for-service insurance program modeled on Medicare called the public HCA plan. ... [T]he program provides subsidies to low-income people for premiums and cost-sharing." P. 20 "The low-income subsidies for people enrolled in Health care for America would be administered through the tax code. ... We assume that the IRS administrative budget would be increased by 25 percent...." p 22

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