Health Care Reform - Necessary Features

Opinion article by Craig Salins, Washington Public Campaigns. Revised 5-14-09

Congress is considering serious health care reform – pushed by the Obama administration and by a worsening crisis nationwide. There are several competing options and proposals, representing a diversity of interests, each promising to broaden coverage to all or most Americans and at an affordable cost.

Citizen voters should "look under the hood" – and make sure that Congress delivers a plan that meets the needs of all Americans, not simply a plan that meets the lobbying demands of Wall Street.

Several options:

One proposal is to expand Medicare to everyone, with improved benefits. It would cover all Americans, all ages, be financed publicly, and delivered privately through existing local health services and facilities. Variations of a single-payer plan include HR1200 (McDermott), HR676 (Conyers), and S703 (Sanders).

Another option (currently favored by Obama) is to leave existing private insurance plans in place, for any Americans who want to keep their existing plan, while simultaneously establishing a ***public plan*** which would be open to anyone – those who don't currently have coverage, or who desire to switch to a public plan. The expectation is that such a public plan would provide good benefits at an affordable price, by operating on a non-profit basis, with a large (perhaps nationwide) risk pool, and without high costs of marketing, lobbying, claims adjusters and actuaries to assure profitability.

Will the insurance industry steal health care reform?

But such a plan could be hijacked or derailed in Congress by the insurance industry. There is more profit in "picking the cherries" – enrolling primarily healthy people who require fewer and less expensive services. Without safeguards – tight regulation of private insurance – a public plan could become unnecessarily expensive as the only health plan available to older or sicker Americans, while private insurance reaps a bonanza in public subsidies and new healthy customers.

The insurance industry is already opposing the creation of a public plan option. They complain that it would compete with their established plans (it would, of course – fair competition is the point). They conveniently don't mention that taxpayers are greatly subsidizing private health insurance plans through spending on Medicare, Medicaid, veterans programs and more. But the insurance industry – together with pharmaceutical giants and other Wall Street firms – will in all likelihood use their political clout in Congress to "shape" any public plan so that it cannot succeed unless it works to their advantage.

Public campaign financing is necessary for REAL health care reform!

Rational development of public policy in Congress is impossible so long as lawmaking is skewed by millions of dollars in campaign financing and lobbying by special interests, in back room deals. But citizens can and should demand transparency, and ask: "Why is Wall Street trumping the voters' interests?"

> **Any and all health care reform proposals must be designed with the *public interest* in mind – and not designed by special interests who seek to profit at taxpayer expense!**

Features essential to health care reform:

These features below are essential for <u>any</u> plan emerging from Congress – to move us toward universal coverage and a financing or social insurance system that promotes wellness, provides good benefits with quality services and consumer choice to all, is affordable and sustainable with a reasonable cost controls, and which puts our nation's resources where they are most needed for good health outcomes.

1. **Available to everyone** – including employers, employee groups, and any individual.

2. **Unrestricted patient choice of health care providers,** including all hospitals, clinics, and services provided and accessible in the community.

3. **Comprehensive benefit package, one set of benefits available to everyone** – regardless of age, employment status, enrollment group, geography, health status, or any other factor.

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4. **Guaranteed issue/acceptance:** Coverage cannot be denied to anyone for pre-existing conditions, health status, or for any reason. No penalties for not previously having insurance.

5. **Automatic enrollment and immediate coverage** – at the point of first medical visit for anyone without existing insurance, with an opportunity to enroll in a plan of the patient's choosing.

6. **Affordable:** No barriers to access and use due to financial circumstances. Appropriate cost-sharing from employers, individuals, and from public sources and programs such as Medicaid and Medicare.

7. **Fair reimbursement to health care providers:** Negotiated fair and reasonable compensation to health care providers for services. Global budgeting for hospitals and major clinics/services.

8. **Health care providers must be paid directly** (as Medicare does), without overhead layers – using a single, efficient public "payer" to pay for services delivered by private health care providers and facilities chosen by the patient. *(This contrasts with a referral or "connector" plan – such as the Federal Employee Benefits Health Plan – that simply enrolls people in existing private insurance plans. A connector scheme is expensive, due to an extra layer of administration to "broker" the arrangement and the expensive overhead of private insurance.)*

Private health insurance is the problem, not the solution.

We must recognize that ***real*** savings can ***only*** be realized by eliminating the inefficiency that is built-in to the current private health care insurance system. Essentially, Americans pay far more than necessary for health care, to have a system financed through private insurance.

When there are hundreds of private insurance plans, hospitals and doctors need an army of clerks to handle all the different rules and limitations in processing payment and claims. Also, under our current system, the insurance industry spends greatly on screening efforts to "cherry pick" profitable enrollees, excluding those who might get sick. The net effect is increased corporate profit, but at great social cost to Americans, including millions uninsured and higher costs to the taxpaying public.

If private insurance is retained side-by-side with a public plan option, we will forego at least 84% of the administrative savings potentially available through a nationwide single payer system – which would otherwise cover everyone, be quite efficient, publicly-financed, and delivered through private and community-based providers of the patient's choice.

Regulating the insurance industry:

If private insurance plays any role whatsoever – even temporarily – in financing health care services, there must be robust and effective regulation, including requirements for:

- **community rating:** Require insurance premiums to be based on health care risks and costs for the entire population – to prevent "cherry-picking" only the healthy.
- **guaranteed issue/acceptance:** Prevent denial of coverage to anyone for pre-existing conditions, health status, or for any reason. No waiting period; no penalties for not previously having insurance.
- **limited overhead administrative costs and investor profit** (as is done for public utilities); and
- **transparency in financial operations,** to assure compliance with law, regulations and public policy, and to provide data useful for appropriate updates to public policy regulations.

Effective cost control requires a single payer:

Effective cost control is nearly impossible without a single-payer system. The private health insurance industry constantly fights tight regulation that limits overhead costs, where too many health care dollars are actually wasted. And without a single-payer system, there can be no global budgeting (in the public sphere) of health care dollars – which is an essential means to control costs and to direct public resources to achieve the best health outcomes.

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