

AHIP Chief Wary of Obama's Health Proposals

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AHIP Chief Wary of Obama's Health Proposals Fran Lysiak

With President-elect Barack Obama vowing an overhaul of the U.S. health care system in 2009 -- which includes a proposal for a public health insurance plan to compete directly with private health insurance companies -- the chief of America's Health Insurance Plans says government-based health programs currently shift significant costs to the private sector, making coverage in the private market expensive for every buyer of health insurance.

"We are at the beginning of the discussion, not the end...and we will have a lot to say about the specific proposals as we see them," said Karen Ignagni, president and chief executive officer of AHIP, based in Washington, D.C.

"Right now, we're going to focus very, very specifically on the fact that it is our responsibility to demonstrate how we can solve these problems and to demonstrate that we are advocating market reforms with a series of robust market regulations that would be applied on the industry to achieve those objectives," she said.

The group's member companies provide health benefits to more than 200 million people. In recent weeks and months, AHIP's board of directors released several health reform proposals aimed at covering all Americans, reigning in skyrocketing health care costs and improving the quality and value of care.

But outlined on the president-elect's Web site is a plan to create a "National Health Insurance Exchange" to help individuals buy new affordable health insurance if they are uninsured or want new coverage. Through the proposed Exchange, Americans will be able to enroll in the new public plan or an approved private plan (BestWire, Dec. 22, 2008).

Obama's proposal, which would have private health insurers competing with a federal government health insurance plan similar to the Medicare program for the elderly and disabled, has been embraced by several leading Democrats in the new Democrat-led Congress.

Ignagni, though, said she's unsure much thought has gone into what it would mean to place more individuals in a U.S. health care system that relies on Medicare rates that would be paid to health care providers, doctors and hospitals, at a time when there's significant cost shifting to the private sector as a result of Medicare -- and Medicaid -- not paying their "fair share."

A recent report on a possible new public health insurance plan -- by the Institute for America's Future and the UC Berkeley School of Law's Center on Health, Economic and Family Security -- said a public plan similar to the Medicare program offered alongside private health plans could result in \$1 trillion in national savings over 10 years by reducing costs and improving efficiency (BestWire, Dec. 22, 2008).

"There will be a very broad debate about this...as there should be," said Ignagni.

Currently, public insurance programs shift costs to every purchaser, family, employer and state and local government that offers health insurance coverage, Ignagni said. "To the extent we have more of that shifting, that means purchasers that are left in the private system would pay significantly more," she said.

In addition, physicians and hospitals would be part of a Medicare payment structure "that virtually everyone has agreed doesn't do the kinds of things that the private-sector payment structures do," such as encouraging early intervention of health conditions and rewarding quality, she said.

A recent study by AHIP and the Blue Cross Blue Shield Association found that low Medicare and Medicaid reimbursement rates are placing a major strain on U.S. hospitals, with estimates that reimbursement-driven cost shifting adds more than \$90 billion annually to the cost of health care (BestWire, Dec. 9, 2008). The study, co-sponsored by the American Hospital Association and Alaska-based Premera Blue Cross, recommended bringing Medicare and Medicaid reimbursements to hospitals more in line with private payment rates.

The study's author, Milliman Inc., found the gap between commercial payers and Medicare has grown from 11.3 percentage points in 1999 to 32.5 points in 2006, while the gap between commercial payers and Medicaid grew from 16 percentage points to 37.8 points over the same period.

From AHIP's perspective, health reform isn't a question about public insurance or private insurance, Ignagni said. "It's what can the private sector do to solve these problems under an aggressive series of public regulations."

[Listen to the entire interview with Ignagni, who discusses, among other issues, AHIP's proposal to guarantee coverage to people with pre-existing medical conditions as long as it's coupled with an enforceable mandate that everyone buy health insurance, at www.bestdayaudio.com]

(By Fran Matso Lysiak, senior associate editor, BestWeek: fran.lysiak@ambest.com)

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