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U.S. Health Industry to Fight Public Insurance Option in Reform Proposals

Perhaps no idea is more disliked by the U.S. health insurance industry than a proposal by Democratic President-elect Barack Obama to have a public health insurance plan competing directly with them as part of his broad pledge to reform the country's ailing health care system.

The industry is "going to fight and they're going to kick and they're going to scream," said Sam Fleet, president and chief executive officer of AmWins Group Benefits, a wholesale brokerage. "The last thing private insurers want is the federal government to compete with them."

Despite the challenge of fixing the economy, Obama is promising health reform. "The time has come...to modernize our health care system for the 21st century," Obama said Dec. 11 when he named former Sen. Tom Daschle as Secretary of Health and Human Services and director of a new White House Office of Health Care Reform. "Now, some may ask how, at this moment of economic challenge, we can afford to invest in reforming our health care system. Well, I ask a different question -- I ask how we can afford not to?"

Obama and the Democrat-led Congress think if they can enact significant health reform in 2009 they'll "have a lock" on the 2010 elections, said Dan Mendelson, president of Avalere Health, a health care research firm.

Outlined on Obama'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 Exchange, Americans will have the opportunity to enroll in the new public plan or an approved private plan."

A new public health insurance plan option for Americans who lack employment-based coverage was the subject of a report released Dec. 17 by the Institute for America's Future and the UC Berkeley School of Law's Center on Health, Economic and Family Security.

The report, by UC Berkeley professor Jacob Hacker, says a public plan similar to the government's Medicare program offered alongside private health plans could result in \$1 trillion in national savings over 10 years by reducing costs and improving efficiency. Americans "get to choose which option -- public insurance or private plans -- is best for themselves and their families," Hacker said during a conference call.

Obama, Daschle, and Senate Finance Committee Chairman Max Baucus and Rep. Pete Stark, chairman of the House Ways and Means health subcommittee, support the idea.

It's too early to know what a public option would look like, said Robert Zirkelbach, a spokesman for America's Health Insurance Plans. AHIP has put forth proposals providing that every American has access to affordable coverage and allow people "to continue to benefit from the services and programs that health plans have implemented," he said.

Grace-Marie Turner, president of the Galen Institute, was more outspoken. Obama's proposal would lead to the deterioration of the private health insurance market "with the federal government -- read: taxpayers -- covering an increasingly large share of the U.S. population and eventually giving people only the "choice" of government insurance," she said.

The program would be supported "by a constant stream of tax dollars," she said. "The government could undercut prices and offer generous benefits that private insurers couldn't match, and then cover the losses by drawing on taxpayer subsidies."

Richard Kirsch, national campaign manager for Health Care for America Now, contends the industry doesn't want to compete with the government because the government doesn't look "for every excuse possible to deny coverage."

Last month, though, AHIP proposed guaranteeing coverage to people with pre-existing medical conditions as long as that's coupled with a mandate that everyone buy health insurance.

The industry's proposal is a great political move, Mendelson said. They're "getting rid of some of the most questionable practices from a public perception perspective." People don't like the idea they will be denied coverage if they have diabetes, Mendelson said. It's a big change in underwriting practice, but also would allow them to dramatically increase enrollment, he said.

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