

The public option



The Public Option – A Panacea For Healthcare Reform

With his election as the 44th President of the United States of America, Barack Obama proposed wide-sweeping healthcare reform as a major impetus for the progression of this country as a whole. The debate over healthcare reform centers around the introduction of the public insurance option which is essentially a government health insurance plan similar to Medicare, that is open to anyone. Under President Obama's current proposal for the public option would include guaranteed eligibility, comprehensive benefits, affordable premiums, co-pays, and deductibles as well as subsidies given to families to help maintain basic healthcare. The public insurance option serves as an integral part of the proposed healthcare reform in that it will act as a public insurer of the American populace and initiate much needed competitive pressure on the insurance industry. The public option would act as its name implies, as an alternative to the current insurance options that are available and not as a replacement. This public option plan will compete with private plans, ensuring an insurance product with a broad choice of providers and encouraging private plans to match the administrative efficiencies, cost-control abilities, and quality-improvement capacities of public insurance (Waldman).

As a public insurer, the structure of the public option would be similar to a single-payer setup in which a government or government-related organization would collect all health care fees and pay out all healthcare costs. With this option, the federal government would create a health insurance plan financed entirely by premiums to provide citizens not covered by employer or other state insurance plans an option for health insurance

that would compete with private insurers (University). One of the key points to this option is its availability to the vast majority of the American population including those who either have no coverage at all or have limited coverage. Those who do not qualify for either Medicare or Medicaid or do not have private coverage would have an increased opportunity to obtain adequate insurance coverage. With the implementation of this public option, the insured themselves are given the power to make a more informed decision on what coverage better suits them. Another major point addressed in the public option is the issue of its far-reaching effects on the current insurance industry. The competitive pressure created by the public option as a single-payer health plan begins with the dramatic decrease in administrative costs due to the existence of only one payer and a designated claim form used for all enrolled within the plan and the man hours saved by the implementation of a standardized billing and claim adjudication system (Sudbay 29). Essentially, all hospitals, doctors, and health care providers would bill one entity for their rendered services.

The savings generated by these decreased administrative costs could then be used to further improve the level of care that is associated with the public option (Sudbay 30). With there being no need for profit, the public option would be able to reduce the cost of premiums and pass those additional saving to those who are enrolled in its plan. Lower premium prices across the country would mean the government would have to pay less in subsidies to low-income people who buy insurance through the exchange run by the government. With its gained market share due to the reduction of overhead costs and a strong gain in its ability to bargain down the cost of medical

services, the public option would essentially force private insurers to offer premiums closer to their marginal costs, cut back on administrative costs, and endeavor into serious damage control regarding the public??™s negative view of their service reputation. In essence, the public option would give the American people more flexibility in choosing which insurance option is best suited for them and creating a more honest insurance market (Waldman). An example of lowering costs within the public option is shown by the Medicare system, which is very similar in structure to what has been proposed with the public option.

The Medicare program has actually managed to restrain the rate of increase of per capita costs, the cost per person over time, better than its counterparts in the private sector (Waldman). According to House Speaker Nancy Pelosi, ??? a public plan based on Medicare rates would save \$110 billion over 10 years??? (Hunt). The cornerstone of the public option??™s financial viability is in its ability to maintain good coverage without excessively burdening public and private budgets. One of the major benefits of establishing a government based insurance option is the establishment of industry guidelines or benchmarks. A competing public option plan is essential to set a benchmark for private insurers in that the high standards of quality and service inclusive of the public option plan would establish and set of checks and balances that the private sector would be required to abide by in order to remain a trusted provider (Sudbay 28).

This system will insure that private as well as public insurers uphold high standards of quality and service. Private insurance and public insurance have distinct strengths and weaknesses, and thus should be encouraged to

compete side by side to attract enrollees on a level playing field that rewards plans that deliver better value and health to their enrollees (Waldman).

Public plan choice is an essential means of guaranteeing quality, affordable care, setting a high standard that private plans must compete to meet.

Despite the ongoing congressional debates regarding the public option, the fundamental reasoning behind healthcare reform remains true; all Americans are entitled to adequate, quality healthcare regardless of income, class, or social stature. The public option gives the people of this country more flexibility in choosing what plan is best for them and sets the stage for a more competitive playing field amongst both private and public insurers. In the end, what we need to address as a country is that which is in our best interest as a whole and not what is best for a specific few.

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