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Public option would destroy work-sponsored health plans

By Janet Trautwein

Congress is contemplating its next move on health care.

As part of the newly enacted American Rescue Plan Act, billions of dollars in subsidies are on their way to those who purchase individual coverage through the exchanges. Many lawmakers now want to turn to legislation that would create a public health insurance option.

Most Americans get coverage for themselves and their families through their jobs. They like it. Under a public option, they could eventually lose it.

One analysis of a public option plan introduced in the House in 2019 found that it would have caused nearly 1 in 4 workers to lose employer-sponsored health coverage by 2023. By 2032, it would have deprived 1 in 3 of job-based coverage.

Trautwein

A public option would siphon people away from employer-sponsored insurance because it could provide coverage more cheaply than private insurers. Unlike private plans that must negotiate payment rates with health care providers, a public plan would have the power to dictate the prices it would pay doctors and hospitals.

That's exactly what our nation's existing public health plans, Medicare and Medicaid, do. Total enrollment in the two programs approaches 140 million people. That means they insure more than 2 in 5 Americans.

With that kind of clout, not to mention the government regulatory apparatus backing them, Medicare and Medicaid significantly underpay providers. The two programs pay hospitals just 87 cents and 89 cents, respectively, for every dollar in cost they incur caring for the programs' beneficiaries. Those underpayments totaled nearly $76 billion in 2019.

Providers compensate by charging private insurers more. A study from the RAND Corp. found private health plans pay hospitals 247% of what Medicare would pay for the same service, on average.

Adding a low-paying public option to the mix would force providers to shift yet more of their costs onto private plans. Private insurers couldn't simply absorb those additional costs. Their margins are already thin. The cost of care eats up 80% to 90% of every premium dollar. Higher costs for private insurers would mean higher premiums and deductibles for employers and patients.

Some employers would respond by dropping coverage and directing their employees to the public option. Privately insured individuals would do the same. And the cycle would repeat, until the public option had pushed private health plans out of the market.

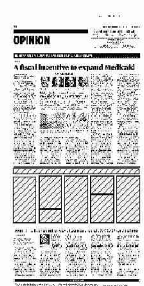
So adding a public option is not, as its proponents assert, a way to expand consumer choice or inject new competition into the health insurance market.

Instead, it would reduce consumers' choices and destroy the insurance market. Health care providers, meanwhile, may not be able to cover their costs without higher-paying privately insured patients. They may be forced to close facilities and institute waiting lists for some services, just as we see in other countries where government is the dominant health insurer.

Employer-sponsored insurance has been at the heart of the U.S. health care system for decades. And it's popular. Seven in 10 people with job-based coverage give their plan a grade of "A" or "B," according to the Kaiser Family Foundation.

Congress should listen to these folks — and not take any action that would harm our system of employer-sponsored health plans.

Janet Trautwein is CEO of the National Association of Health Underwriters, nahu.org.



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