

Americans agree that we should increase access to affordable quality health care. But creating a massive, new government-run public health care plan is a poison pill. Proponents of the “public plan” continue to assure Americans that expanding the government’s role in providing health insurance will lower costs, increase competition and improve quality. Here is the reality:

Competition:

Dream World:

- “[A]dvocates of a public option believe a government insurance plan is needed to bring more robust price competition to the market...”¹
- “One of the best ways to introduce this much-needed competition is for the federal government to offer a public health insurance plan that can compete with private insurers...”²

Reality:

- “A public program won’t compete in a way that any normal business would recognize.”³
- “The choice is between giving consumers a real market of competing insurers and steering them steadily toward a single-payer.”⁴
- “There is simply no example, worldwide, of a robust private health insurance market co-existing with a government plan that’s open to all.”⁵
- “But government never competes in a private market; it takes the market over.”⁶
- “The problem with this arrangement is that Medicare is so powerful that it can get away with paying only 80 to 85 percent of actual costs, forcing doctors and hospitals to overcharge private insurers to make up the difference.”⁷

Level Playing Field:

Dream World:

- “We can create a level playing field.”⁸

Reality:

- Doug Elmendorf, Director of the Congressional Budget Office – “More generally in health care reform, when people talk about public plans competing with private plans, I think *designing a system in which a public plan could compete on a level playing field is extremely difficult.*”⁹
- *The Washington Post* Editorial Page – “It is *difficult to imagine a truly level playing field* that would simultaneously produce benefits from a government-run system.”¹⁰
- “Yet creating a marketplace where private insurance plans could compete fairly with Medicare for the under-65 population would be difficult and complex...”¹¹

Administrative Costs:

Dream World:

- "...[G]overnment-run plans have lower administrative expenses than private plans..."¹²
- "Public plans are attractive because...they have lower administrative costs..."¹³

Reality:

- "...[T]he comparison between public and private plans is a false comparison."¹⁴
- "The AMA believes...that administrative costs are actually lower than generally reported in the private sector and higher than generally reported in the public sector."¹⁵
- "Medicare's supposed administrative and medical cost advantages are not real."¹⁶
- "This argument ignores the problem that one of the main reasons Medicare's administrative costs are low as a percentage of its overall spending is that it fails to control both wasteful spending – as much as one-third of all Medicare spending – and fraud."¹⁷
- "Single-payer and 'public plan' option advocates erroneously cite a much higher figure of up to 13 percent of premium for the private insurance market. What advocates are doing is wrongly comparing what is in fact only one part of Medicare "administration" costs to the whole of private insurance "administration" costs."¹⁸
- "Medicare's 'overhead' costs for claims administration, as a percentage of the program's 'premium income,' are really about the same as claims administration costs in the private large group health plan market."

Price Controls/Negotiating:

Dream World:

- "Public plans are attractive because...they can be large-scale purchasers with a strong negotiating position with providers."¹⁹

Reality:

- "Price controls create large incentives to increase rather than decrease use of unnecessary health care."²⁰
- Rep. Paul Ryan (R-WI) – "This plan will almost certainly use a price-control system similar to the one in place for Medicare, allowing it to charge artificially low premiums by paying fees well below private rates. These low premiums will serve as a magnet for enrollment and will devastate the private companies trying to compete in the health-insurance market."²¹
- "The creation of a 'Medicare-like' plan, in particular, would entail creation of a Medicare-like financing system – a shell game in which prices are held artificially below market rates while costs are shifted to private carriers and growing liabilities are shifted to the next generation of taxpayers."²²

Quality and Access to Providers:

Dream World:

- “Public Plan Choice will create incentives for effective performance just as today’s Medicare program promotes quality alongside cost containment.”²³
- “...over the last generation, public insurance has pioneered new payment and quality-improvement methods...”²⁴
- “Public plans are attractive because they can offer better access to necessary care for diverse populations...”²⁵
- “The central argument for public plan choice is that such a plan...offers [Americans] quality, affordable health care through a broad choice of providers in all parts of the country.”²⁶
- “Nor do access and participation measures suggest that Medicare is increasingly shortchanging providers: Most data show relatively stable access and participation, and none shows the dire picture sometimes painted.”²⁷

Reality:

- “And private insurance plans are far ahead of Medicare, Medicaid and other government programs on reforms such as pay-for-performance medicine, chronic disease management and disease prevention.”²⁸
- “A Texas Medical Association survey of that state’s doctors found that while 58 percent of Texas doctors accepted new Medicare patients, only 38 percent of primary care doctors did so.”²⁹
- “One in five Medicare patients ends up back in the hospital within a month of discharge.”³⁰
- “...MedPAC warns that Medicare’s well-known design deficiencies and its financial problems will certainly inhibit its delivery of high-quality care.”³¹
- “Some doctors...are no longer accepting Medicare... The doctors’ reasons: reimbursement rates are too low and paperwork too much of a hassle.”³²
- “... a new government plan is merely a diversion from the core issue that under existing Medicare administrative payment systems – precisely the payment systems that champions of the new government-run plan routinely applaud – inefficiency is richly rewarded and innovation is soundly punished.”³³

Cost Containment:

Dream World:

- “Furthermore, experience with Medicare suggests that public insurance is better equipped to control spending over time...”³⁴
- “The great virtue of public plan choice as a means of cost control is that it proposes relatively minimal disruption to existing arrangements compared with other comprehensive reform proposals.”³⁵

Reality:

- “Medicare keeps costs under control in part because of its 800-pound-gorilla capacity to dictate prices – in effect, to force the private sector to subsidize it.”³⁶
- “...there is no evidence that Medicare has been successful at controlling spending growth.”³⁷
- “Moreover, Medicare, despite its assured market and huge buying power, is headed for insolvency; thus, it is a poor model for a new program that would be dependent on voluntary enrollment in a competitive marketplace.”³⁸
- “...Hacker’s contention that ‘Medicare has increasingly out-performed private plans in restraining the rate of increase of health spending while maintaining broad access’ that is the real problem with his argument for a public plan option.”³⁹
- “Medicare will run out of money to pay claims in 2017 under current projections.”⁴⁰
- “Medicare is accumulating trillions in unfunded liabilities, promises benefits without dedicated financing, while annually shifting billions of dollars in health costs to individuals and families in private health insurance.”⁴¹

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