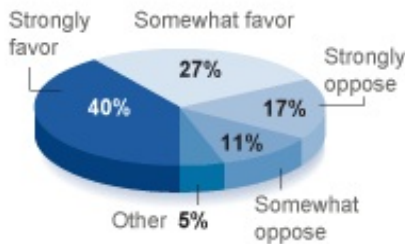




Our view on health care: 'Public option' offers best way to curb medical costs

If private insurers can't compete with government, who needs them?

The fact that 17 cents on every dollar in the American economy goes to health care — far more than in other countries — is the result of many factors. An aging, overweight society. Mindless paperwork. Excessive tests and procedures. Endless litigation. But a larger explanation is the delusion that the health care system is market-based.



Two-thirds support

Do you favor or oppose creating a public health insurance option similar to Medicare to compete with private health insurance plans?

Source: Kaiser Health Tracking Poll of 634 respondents, June 1-8.

By Veronica Salazar, USA TODAY

Markets involve buyers making choices on how to spend their own money, and vendors competing to provide the best products or services at the lowest prices. In health care, of course, the bulk of treatment is paid for by third parties. This reduces pressure on vendors to trim costs and innovate. Making matters worse is that many major hospitals face little competition and can pass along huge increases in fees to insurance companies, which themselves often lack competition, and pass them along by hiking premiums.

All of this leads to what is perhaps the most contentious question in the whole health care debate: Should Congress, which turns to the issue this week when it returns from its July Fourth recess, create a government-run insurance plan to compete with private ones, as President Obama is urging?

The short answer is: yes, as long as it is self-financing.

A public plan is the best idea on the table for bringing more competition to health care. As with Medicare, government would run the insurance but contract with existing hospitals and other providers. It would be entirely optional for people without access to employer-provided plans.

Such a plan would upset the cozy relationship insurers and providers have devised for harvesting money from the companies that pay for health care. Private insurers operate in an industry like none other. Each year their costs rise 10% or so, and yet they still can hike profits simply by passing these costs along. A public plan would pressure them to cut their own costs and those of their providers.

Opponents who rail against "government run" health care seem not to have noticed that government already directly covers about a third of Americans through Medicare, Medicaid, military and veterans care. Though not without flaws, these are hugely popular programs that provide coverage for less than private plans can. According to the Urban Institute, Medicare and Medicaid spend about 5% on administration compared to 12% in private plans. The simplest version of a public plan, the one that would not create a big new bureaucracy, would allow people to buy into Medicare at cost.

The opponents say that private insurers would have difficulty competing with government, which has more power in the marketplace and doesn't need to make a profit like they do. This, they say, would put the insurers out of business. Yet if nimble private insurers can't compete with ponderous government, or contain health care costs, it would be hard to see their utility. Workers pay the price in lost raises, rising premiums and the risk of being left uninsured.

Congress is also looking at fostering private, non-profit cooperatives to compete with the current plans. This is an intriguing idea but should not be seen as an alternative to a public plan.

For the moment a public plan appears to be the best option for effecting real change. It would demand dramatic action on the part of insurers and providers, which is exactly what the health care system needs.

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