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UPDATE

Posted: June 24, 2009, 3:14 PM ET

Study: Public Plan Would Save Money

Overhauling the U.S. health care system could save the country about \$3 trillion over the next 10 years, according to a study released Wednesday by the Commonwealth Fund.

The greatest savings would come from reform that includes a public insurance option that pays health care providers at Medicare rates, the researchers found.

Read the full report [here](#).

The health policy research group's report analyzed the rate of growth of U.S. health care spending between 2010 and 2020 under three possible reform scenarios. One plan would include a public option with healthcare providers paid at Medicare rates; another includes a public option with providers paid at rates midway between Medicare and private insurance plans; and the final plan would have no public option, instead relying exclusively on private insurers.



All of the plans would include other reforms, such as creating a national health insurance exchange to regulate insurers and investing in electronic medical records to improve efficiency. All of the plans would make coverage available to almost all Americans, according to the report, lowering the uninsured rate to about 1 percent.

"The report [...] estimates of the total system impact, not just the federal budget impact," said Commonwealth Fund president and study co-author Karen Davis. "Effective health reform focuses on a more holistic approach."

The researchers found that, compared to cost projections if the nation's health system remains unchanged, reform would "bend the cost curve" -- that is, health care spending will still rise, but at a slower rate. They found that reform that includes a public plan tied to Medicare rates would save nearly \$3 trillion through 2020, a public plan with higher reimbursement rates would save \$1.97 trillion and an insurance exchange with only private plans would save \$1.2 trillion.

A public option remains controversial, however. President Barack Obama and many Democrats back the idea, while most Republican lawmakers oppose it, and the issue has may emerge as a significant roadblock to a bipartisan health care reform effort. The insurance industry has also opposed it, arguing that a public plan would have inherent advantages that could drive private insurers out of business.

According to Michael Cannon of the Cato Institute, the Commonwealth Fund study ignores the effects of implementing a public plan with lower reimbursement rates.

"When they say things like 'they're going to change the payment system,' what they mean is they are going to change the way they pay doctors and hospitals to encourage them to ration care," Cannon says.

But Davis says that a public plan with lower administrative costs would save money by lowering private insurers spending as well. "[It] would provide a strong incentive for private plans to innovate and compete," she says.

---- By Lea Winerman, Online NewsHour

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