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Opposing view: Plan undercuts competition

'Public option' is fast lane to government health care takeover.

By Michael Tanner

President Obama says he wants more "competition and choice" in the U.S. health care system, but the government-run health care plan that he supports, euphemistically called the "public option," would lead to less competition and leave Americans with far fewer choices.

A government-run plan would have an inherent advantage in the marketplace because it ultimately would be subsidized by American taxpayers. The government plan could keep its premiums artificially low or offer extra benefits because it could turn to taxpayers to cover any shortfalls.

While the Obama administration promises that the government plan would have to be self-supporting, could a Congress that is busy bailing out banks and automobile companies because they are "too big to fail" resist subsidizing the government's insurance plan if it began to lose money?

In addition, the government plan could impose much lower reimbursement rates on doctors and hospitals the way Medicare and Medicaid do today. Providers would be forced to recoup that lost income by shifting their costs to private insurance, driving up premiums and making private insurance even less competitive.

True, advocates of the public option promise that it would pay competitive reimbursement rates. But politicians made the same promise back when Medicare was created. Besides, if the government option isn't going to use its buying power to drive down costs, what is the point of having it?

In the end, millions of Americans would be forced out of the insurance they have today — even if they are satisfied with it — and into the government plan. Businesses, in particular, would have every incentive to dump their workers into the public plan. The actuarial firm The Lewin Group estimates that as many as 118.5 million people, roughly two-thirds of those with insurance today, would be shifted from private to public coverage.

If Obama truly wants to create more choice and competition, there are many things he could do, such as allowing people to buy insurance from states other than the one in which they live. But the so-called public option is simply the fast lane to a government takeover of the health care system.

Michael Tanner is director of health and welfare studies at the Cato Institute, a libertarian think tank in Washington, D.C.

Posted at 12:21 AM/ET, July 06, 2009 in USA TODAY editorial | Permalink

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