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Obamacare's Stealth Public Option to Compete with Private Insurance Plans

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Although the original version of the government-run public option was not included in President Obama's health care law, an alternate approach will be rolled out in 2013 which may represent a stealth version of the unpopular proposal.

Section 1334 of Obama's law creates federally administered multistate insurance plans (MSP) to compete against plans administered and regulated at the state level. The law designates the federal Office of Personnel Management (OPM) to manage at least two multistate health plan options by 2014. OPM will have separate budget lines, office space, and employees for the MSP role, which by law will be kept completely separate as if it were a whole new agency, according to Heritage Foundation Senior Fellow Robert Moffit, a former Office of Personnel Management employee.

"It's the public option," said Moffit.

Moffit says OPM was chosen for political reasons, because Republican members of Congress use the Federal Employee Health Benefit (FEHB) it administers.

"The White House is trying to sell this off as some kind of way to increase competition, that it's just like FEHB, and all that sort of thing," Moffit said. "It's all garbage. OPM

does not sponsor any federal government plan to compete against private health insurance plans anywhere.”

The current OPM system, Moffit said, is “nothing more than a defined contribution system, where OPM basically establishes some very basic rules for plan competition—things like fiscal solvency requirements and very basic consumer protection.”

Federal Government as Insurer

The new scheme doesn’t increase competition, because the MSPs and the state plans will be under different rules, Moffit says.

“There are going to be different rules than the plans that are competing in the exchanges. They’re automatically deemed certified to compete in the exchanges. They don’t have to go through the state eligibility requirements. They’re going to have their own rules for medical loss ratios. They can set their own premiums and benefits,” Moffit said. “They have to meet the basic benefits specified by the Secretary of HHS, but outside of that they can do all kinds of things.”

The MSP exchange offering will be completely separate from the FEHB, Moffit said.

“The multistate plans give OPM a brand new role. And OPM’s role is to have the federal government sponsor plans to compete directly against private insurance all over the country in each state” and on the federal exchange, as well, Moffit said. “It’s an altogether different role.”

Picking Winners and Losers

Michael Cannon, director of health care policy studies at the Cato Institute, said even consumer advocates on the left are becoming concerned about the administration’s approach.

“The federal government is chartering plans, and even some left-leaning activists in consumer groups are concerned about it. They feel it would undercut insurance carriers regulated by the states and are concerned that this plan is subject to less regulation,” Cannon said. “It would in effect become the public option. This is the federal government picking winners and losers.”