



Monday, October 26, 2009

Public Plan Opt-Out

Are there any downsides to creating a national public health insurance option and allowing states to opt out? Would it do any good?

Senate Democratic leaders seem intrigued with the idea. *CongressDaily* on Friday quoted Sen. Charles Schumer, D-N.Y., as saying, "[Liberals live with it. Moderates live with it. It's in the middle.](#)"

But what about the policy implications? While such a proposal could potentially get enough votes to pass Congress, would a public option really lower costs if only some states offered it? How many would opt out, and why?

-- Marilyn Werber Serafini, *NationalJournal.com*



Responded on October 26, 2009 10:11 AM

[Michael F. Cannon](#), Director of Health Policy Studies, Cato Institute

President Barack Obama and his congressional allies want to create yet another government-run health insurance program (call it [Fannie Med](#)) to cover yet another segment of the American public (the non-elderly non-poor).

The whole idea that Fannie Med would be an "option" is a ruse.

Like the three "public options" we've already got – [Medicare](#), [Medicaid](#), and [the State Children's Health Insurance Program](#) – Fannie Med would drag down the quality of care for publicly and privately insured patients alike. Yet despite offering an inferior product, Fannie Med would still drive private insurers out of business because it would exploit implicit and explicit government subsidies. Pretty soon, Fannie Med will be the only game in town – just ask its architect, [Jacob Hacker](#).

Now the question before us is, "Should we allow states to opt out of Fannie Med?" It seems a good idea: if Fannie Med turns out to be a nightmare, states could avoid it.

But the state opt-out proposal is a ruse within a ruse.

Taxpayers in every state will have to subsidize Fannie Med, either implicitly or explicitly. What state official will say, "I don't care if my constituents are subsidizing Fannie Med, I'm not going to let my constituents get their money back"? State officials are obsessed with maximizing their share of federal dollars. Voters will crucify officials who opt out. Fannie Med supporters know that. They're counting on it.

A state opt-out provision does not make Fannie Med any more moderate. It is not a concession. It is merely the latest entreaty [from the Spider to the Fly](#).

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