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Public option's rotten replacements

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Searching for an acceptable alternative to the controversial "public option," Senate Democrats on Tuesday night adopted three bad ideas instead.

Having tried and discarded the "robust" public option, the opt-in and opt-out approaches, co-ops and the "trigger," Senate Majority Leader Harry Reid proposed a program similar to the Federal Employees Health Benefit Program, which covers government workers, including Congress members. Reid's plan would also expand Medicare and Medicaid.

The FEHBP offers a variety of private insurance plans under a program managed by the US Office of Personnel Management. Each year, OPM uses the federal procurement process to solicit bids from insurance firms to be one of the plans offered. Premiums can vary, but participating plans operate under stringent rules.

Moderates like Connecticut Sen. Joe Lieberman like the FEHBP model because the insurance plans are private rather than government entities. Liberals like Sen. Charles Schumer like it because it is government-regulated and managed.

In using the FEHBP as a model, however, Democrats have chosen an insurance plan whose costs are rising *faster* than average. FEHBP premiums are expected to rise 7.9 percent this year and 8.8 percent in 2010. By comparison, private-insurance premiums will rise on average by 5.5 to 6.2 percent annually in the next few years, the Congressional Budget Office predicts. In fact, FEHBP premiums are rising so fast that nearly 100,000 federal employees (who pay 30 percent of their plans' premiums) have opted out of the program.

FEHBP members are also finding their choices reduced. Next year, 32 insurance plans will either drop out of the program or reduce their participation. Some 61,000 workers will lose their current coverage.

Moreover, the government can't simply allow non-government workers to buy into the FEHBP. According to the Robert Wood Johnson Foundation, such an approach would result in substantial "adverse selection" -- that is, new enrollees would be much sicker than the current pool of workers, driving premiums higher for current plan participants. A similar proposal in Tennessee several years ago nearly destroyed the state-employee health system.

So the plan would authorize a parallel program replicating the FEHBP. But former OPM director Linda Springer doubts that the agency has the "capacity, the staff or the mission" to manage the new program, saying, "ultimately, it would break the system."

And an independent FEHBP-like system ultimately also would suffer from the same adverse selection, making its premiums unaffordable for most Americans without government subsidies. So even this "nonpublic" public option would wind up being a drain on taxpayers.

But the expansion of Medicare and Medicaid are even worse ideas.

Medicare is now *\$50 trillion to \$100 trillion* (yes, that's trillion with a "T") in debt, depending on which accounting measure you use. But Democrats now want to allow individuals age 55 to 65 to be able to "buy in" to the program.

The plan initially calls for enrollees to pay actuarially valid premiums if they elect to participate in the program. But history suggests that such funding mandates are likely to fade over time. Medicare Part B was originally supposed to support 50 percent of its costs through premiums. Premiums now pay for less than 25 percent of the program's cost.

Plus, Medicare under-reimburses doctors, especially in rural areas. Thus, expanding Medicare enrollment would threaten the viability of rural hospitals and other providers and also result in more cost-shifting, driving up private insurance premiums.

Democrats may also raise Medicaid eligibility to 150 percent of the poverty level -- even though *that* program is one of the biggest threats to the solvency of the federal and state governments' budgets.

Medicaid now costs more than \$330 billion a year, a cost that grows at a rate of about 10.7 percent annually. The program spends money by the bushel, yet reimburses providers even worse than Medicare. The Medicare Payment Advisory Commission says only 69.5 percent of doctors are willing to accept new Medicaid patients. So Medicaid patients have a tough time finding adequate primary care. The number of Medicaid beneficiaries who use emergency-department services for non-emergency care is higher than the rate for any other payer group, including the uninsured.

It's easy to understand why Senate liberals would support this "compromise": It expands government health-care programs and further squeezes private insurance. But why would self-professed moderates sign on to a proposal that raises costs, results in higher insurance premiums and provides a lower quality of care?

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