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The Not-Quite-Public Plan

Peter Suderman | December 9, 2009

Solid details on the Senate's sorta-kinda secret health care deal are still scarce—there's no official summary available yet, much less anything like legislative language—which leaves open a lot of questions. One of those questions is what the proposed new national plan(s) based on federal employee health benefits would look like.

Here's how the *NYT* describes the basic shape of the proposal, which it labels a "not-quite-public plan":

> The goal would be to provide a menu of private, nationwide insurance plans, and for the Office of Personnel Management to oversee them, conducting the same type of negotiation over benefits and premium prices that it does for federal workers.
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> The federal employees health plan offers federal workers an array of different private insurance plans, including fee-for-service plans, with preferred provider networks and lower cost HMOs. Several of the plans are national in scope—the most popular is a national Blue Cross plan—and benefits are portable, from state to state, and usually can be carried into retirement.
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> ...Although the plans are all private, the fact that the program is regulated by legislation, overseen by a federal agency, the Office of Personnel Management, and serves federal workers gives it the aura of public insurance even though it is not public insurance. And giving many Americans the same coverage as members of Congress is a politically potent—and appealing—concept for both lawmakers and the people they serve.

Even at this early stage, the idea has already been subject to a fair amount of criticism. Tyler Cowen says he thinks of the FEHBP as "a somewhat indirect voucher scheme, albeit with complications," but isn't sure what it would look like when scaled up. The Galen Institute worries that the plan, which would presumably work heavily with the private insurers that the FEHBP works with now, would bolster the market power ofa few large players and make the health insurance market even less competitive. And Cato's Michael Tanner points out that the FEHBP wouldn't make a great model because it's already riddled with problems: Costs are rising faster than average and, as a result, premiums are going up and plan choices are dwindling.

Nor is it clear that OPM could handle the new administrative duties. As Tanner writes, "former OPM director Linda Springer doubts that the agency has the 'capacity, the staff, or the mission,' to be able to manage the new program. Taking on management of the new program could overburden OPM. 'Ultimately, it would break the system.'" Even liberal reform supporters like Jon Cohn are questioning whether OPM could handle a dramatic expansion given its small staff and relatively limited authority.

In other words, one of the key elements of the supposed "deal" is something of a mess. Indeed, the more I read about this deal, the less I think that's the right way to describe it. With so many factors left uncertain, and the support of so many key players still up in the air, it's more like a *hope* for a deal, and a show of confidence that reform advocates think might create an air of inevitability.