

Matt Yglesias

Oct 29th, 2009 at 1:46 pm

Would Health Reform “All But Eliminate” Private Health Insurance?

To be clear, I think that all but eliminating private health insurance would be a good idea. That said, I’d be really interested to know [what Mike Tanner’s justification is](#) for saying of the House bill “regardless of how much lipstick they put on this pig, it still is a government takeover of the health care system that would all but eliminate private insurance and force millions of Americans into a government-run system.”

For people who receive health insurance through their employers, which is to say the *vast* majority of the Americans who currently have health insurance, the House bill would change very little. Or, rather, the biggest change would simply be the confidence that if, in the future, you cease to get health insurance from your employer (maybe you’ll lose your job or want to change jobs) that you’ll still be able to get health care. What’s more, of the minority of Americans who would be getting health care through the new “exchange,” the majority will probably sign up for private health insurance and everyone will have the *option* of doing so. If the government-run public plan is, for whatever reason, vastly more appealing than the private options then it will dominate. But if you believe the government can’t run health care well, there’s no reason to think that will happen. Whatever you think of that, though, the basic fact is that even if the public option does dominate the exchange most people will still have private employer-provided insurance.

In addition to misstating these facts, Tanner says that the idea of a public option negotiating rates with health care providers is “the health care equivalent of negotiating with Tony Soprano.” It strikes me as strange to analogize a government-purchasing arrangement to a sham negotiation with a violent criminal organization. The federal government regularly negotiates with providers of goods and services. Police departments buy cars and guns and uniforms. Government offices buy light bulbs and computers and pieces of paper. Highway authorities buy cement and steel. There are definitely different kinds of issues and problems with public sector contracting activity, but “resemblance to mob extortion” isn’t among them.

The health reform being contemplated in congress involves substantially increases taxes in order to spend substantially more money. I don’t expect Cato Institute personnel to support such a program. But this kind of wild distortion doesn’t help anyone understand what’s happening. The fact of the matter is that congress is proposing just about the most small-c conservative way of pursuing universal coverage you can imagine.

- [Comments](#)
- [73](#)

73 Responses to “Would Health Reform “All But Eliminate” Private Health Insurance?”

1. *Anthony Damiani* Says:

[October 29th, 2009 at 1:49 pm](#)

I say scrap this rotting heap and give them a bill that shows what a proper government takeover of the health-care sector would look like. If we're going to be pilloried for it, we might as well get it.

2. *Alex* Says:

[October 29th, 2009 at 2:02 pm](#)

The obvious worry is that the public option will end up receiving some form of government subsidy, allowing it to undercut private insurers and eventually driving them out of business.

It's not really implausible that if the public option starts struggling financially, Congress will bail it out as a matter of course.

3. *Mike* Says:

[October 29th, 2009 at 2:02 pm](#)

Sincere question, since I've only kind of been following the health care mess:

What is to prevent my employer from no longer offering me health insurance if there is a public option? Especially if the mandate price for not offering is lower than the plan I have now?

4. *Paulie Carbone* Says:

[October 29th, 2009 at 2:10 pm](#)

“regardless of how much lipstick they put on this pig, it still is a government takeover of the health care system that would all but eliminate private insurance and force millions of Americans into a government-run system.”

That statement is offensive to Sarah Palin.

5. *Seth* Says:

[October 29th, 2009 at 2:16 pm](#)

Alex, what specifically makes you think that it is plausible for congress to “bail out” the public option as a matter of course? Or at all for that matter. If the PO can not support itself with premiums then it has to raise its rates just like private insurers do. If they raise them too much they will lose customers to the private insurers in the exchange who clearly out-competed them. There is no price control on the premiums the PO can charge. If they are struggling, they will have to raise their rates. What mechanism would lead the congress to “bail them out.” It is written into law that it must be self-financed through premiums.

6. *elle loco* Says:

[October 29th, 2009 at 2:19 pm](#)

Look, taking the Cato Institute seriously is just a symptom of a larger political derangement inside Ye Olde Beltway. Stop it! When they say something intelligent (every blue moon), then feel free to bend over backwards to point it out, like any good, inclusionary liberal who doesn't mind getting spit in the face for their trouble would. But these clowns represent a negligible ideological fringe. Why not see what the Communist Party USA is up to while you're at it?

7. *Mike* Says:

[October 29th, 2009 at 2:22 pm](#)

Seth, it was also written into the law that Fanny Mae and Freddy Mac would receive no federal support.

8. *Alex* Says:

[October 29th, 2009 at 2:23 pm](#)

Alex, what specifically makes you think that it is plausible for congress to “bail out” the public option as a matter of course?

The routine bailouts of USPS and Amtrack. This isn't an indictment of the USPS*, just an observation.

In fact, I predict that the argument would fall along the lines of “we bailed out the rich bankers on Wall Street, isn't it fair we bailed out the poor people who desperately need health care too”.

What mechanism would lead the congress to “bail them out.” It is written into law that it must be self-financed through premiums.

Congress is, y'know, kind of empowered to change the law.

*Amtrack, on the other hand...

9. *JM* Says:

[October 29th, 2009 at 2:23 pm](#)

The obvious worry is that the public option will end up receiving some form of government subsidy, allowing it to undercut private insurers and eventually driving them out of business.

Since programs like the public option, both here and abroad, are more efficient than private health insurance programs, why would they need a subsidy?

Or is this one of those “government always inefficient/ineffective” ticks that some survivors of the 1980's still exhibit? If so, call your doctor.

10. *Rich in PA* Says:

[October 29th, 2009 at 2:25 pm](#)

How many billions to we lose each year in foregone productivity, parsing and refuting Republican arguments as if they were susceptible to rational debate? It's like setting up a Cabinet-level department that did nothing but debunk the claims of alchemy.

11. *anon* Says:

[October 29th, 2009 at 2:27 pm](#)

Interesting someone should bring up the Tony Soprano thing.

I've long been mystified by the conservatives' argument that if only we made everyone pay more for health care services, we'd all become these genius consumers of care, magical market players driving a hard bargain for that triple heart bypass or whatever.

Sorry, but there's two kinds of in this world who can credibly say “your money or your kid's life.” That's doctors and Tony Soprano.

That's not a market that is going to respond to normal incentives and rules. It's certainly not one that's particularly conducive to achieving the maximum pareto optimality through hard-nosed negotiation

tactics.

12. *Mike Says:*

[October 29th, 2009 at 2:30 pm](#)

JM, my whole adult life I've been told that Social Security and Medicare were going to run out of money. For the past 10 years it has been by liberals and progressives correctly attacking Bush's spending policies and tax cuts. (Remember why Al Gore was putting money in the lockbox?) Now Medicare is the most efficient program in the history of the world and a model to be copied. Please explain to me what changed.

13. *Tom Says:*

[October 29th, 2009 at 2:30 pm](#)

What is to prevent my employer from no longer offering me health insurance if there is a public option?

The same thing that prevents your employer from no longer offering you health insurance right now. Presumably your employer thinks that offering health insurance is a good way to attract good employees and keep them happy.

If health reform passes (with or without a public option), then health care will become less of a good reason for a lot of people to stay in the jobs they have, because it will be easier for people to get health care insurance without getting it through their employers.

But your employer will still be free to decide whether to offer health insurance or not. Presumably he/she will continue to offer it if he/she thinks it is still a good way to attract/retain good employees.

The public option doesn't affect that analysis very much. If there is a public option, then it will compete in the marketplace with the companies that already offer insurance. So if there is a public option, and your employer does stop offering health insurance (or you lose your job, or you want to start your own business, or whatever), then that will be one of your options for getting health insurance.

14. *JM Says:*

[October 29th, 2009 at 2:33 pm](#)

Seth, it was also written into the law that Fanny Mae and Freddy Mac would receive no federal support.

... which is why they're in conservatorship, rather than just being bailed out.

15. *Poptarts Says:*

[October 29th, 2009 at 2:38 pm](#)

How many billions to we lose each year in foregone productivity, parsing and refuting Republican arguments as if they were susceptible to rational debate? It's like setting up a Cabinet-level department that did nothing but debunk the claims of alchemy.

Rich in PA wins the thread. It's a dirty job but someone has to do it. In his big time health care speech to a joint session of Congress (which reminded me of Luke Wilson in Idiocracy – back in Sept.?) Obama made the analogy that the public option would be like the state supported college education system. I'm sure wingnuts back in the day argued that state colleges would drive private universities out of business.

16. *JM* Says:

[October 29th, 2009 at 2:38 pm](#)

Now Medicare is the most efficient program in the history of the world and a model to be copied. Please explain to me what changed.

Decades of idiotic tax cuts in the face of a huge retiring generation aren't really something that Democrats have to answer for.

But I was referring to [administrative costs and the failure of American for-profit healthcare to provide the kinds of efficiencies](#) that private sector operations are supposed to provide.

17. *pseudonymous in nc* Says:

[October 29th, 2009 at 2:39 pm](#)

If only.

The private insurance model has failed, and it's time for the wingnut welfare cases at Cato to shut the fuck up. Not that they won't go on defending the indefensible.

18. *Mike* Says:

[October 29th, 2009 at 2:39 pm](#)

Tom, I see your point, but don't you think part of the reason that health insurance is a good benefit right now is because there are few options out there? Right now they can use the health care plan as a golden handcuffs, giving them the incentive to provide one. Once that goes away people are more free to quit and the incentive of offering care drops.

Also, it's true that employers use health care to attract workers, but the reason it is a good benefit from the employee's perspective is because private individual insurance is so expensive. Once there is a way to get health care on the cheap from the public option I'd be fine if they woo'ed me with some other benefit or increased salary.

Seems like the result would be pressure from both sides to shift to the public option. This is just me thinking about it, not something I read on Cato. But the long run incentives are very tricky here and it seems like they're not really being considered.

19. *Thom* Says:

[October 29th, 2009 at 2:43 pm](#)

I hope so.

Everybody knows that the best way to fix problems is by implementing centralized, all encompassing, monolithic bureaucracies that are inconsistently run due to political ideas and ideologies falling in and out of fashion.

Safety net!

20. *Mike* Says:

[October 29th, 2009 at 2:46 pm](#)

JM, that's diaper-school.

So rephrase Alex’s statement: It’s not really implausible that if the public option starts struggling financially, Congress will place it under conservatorship as a matter of course.

Oh, you’re right, that makes a huge difference now. The fact remains that they can say “will never receive federal money” now and change it when it becomes unpopular.

21. *bluemeanies* Says:

[October 29th, 2009 at 2:47 pm](#)

Mike- Social security is ok so long as the government can pay off its bonds.

As for Medicare it pays for the most intensive users (over 65s) of a highly inflationary product (health care) at a time when the number of people in the intensive users category will increase (baby boomers). Medicare’s problems are of population and inflation but the actual administration is a low overhead proposition that applies some deflationary pressure. If there was a similar program for lower intensity users (20s to 30s) it would be cheaper per capita to run. And imagine the nightmare if the elderly had to live with the insurance by employment system that has many inefficiencies (bad econ) and horrendous personal consequences (bad morality) even when its population pool is younger and healthier.

As for your employer- don’t be convinced that they’d keep you even if there wasn’t a public option. And even if they keep you they might reduce their contribution and move to a less comprehensive plan to save money that might make you wish you could get the public option. That is the trend in the current system (dropped/reduced benefits with rising costs) and failing to pass healthcare reform is not going to arrest it.

22. *JM* Says:

[October 29th, 2009 at 2:51 pm](#)

Also, it’s true that employers use health care to attract workers, but the reason it is a good benefit from the employee’s perspective is because private individual insurance is so expensive.

Which is why the government’s economies of scale are so attractive on this issue, and a very good reason for the industry to defend its inefficiencies, which they call “profit” for some reason.

[Here’s the Rand corporation blaming healthcare costs for hurting employment.](#) I guess we can choose between rewarding this well-connected industry or ... industry itself.

23. *Poptarts* Says:

[October 29th, 2009 at 2:52 pm](#)

The private insurance model has failed, and it’s time for the wingnut welfare cases at Cato to shut the fuck up. Not that they won’t go on defending the indefensible.

Pseudo-meister, I realize considered, nuanced thought isn’t your forté but CATO and Reason are good on certain libertarian issues. They seem to be mainly funded by highly ideological business interest so they’re pro-business whenever it comes into conflict with anything (workers, consumers, citizens, the environment, the state, etc.) but they are isolationist peaceniks like you, they’re good on civil liberties and free speech and such and really good on the drug war.

But with the [Push to Legalize Marijuana Gaining Ground in California](#), when that battle is won the most hardcore libertarians will probably lose interest in the cause of freedom.

SAN FRANCISCO — These are heady times for advocates of legalized marijuana in California — and only in small part because of the newly relaxed approach of the federal government toward medical marijuana.

State lawmakers are holding a hearing on Wednesday on the effects of a bill that would legalize, tax and regulate the drug — in what would be the first such law in the United States. Tax officials estimate the legislation could bring the struggling state about \$1.4 billion a year, and though the bill’s fate in the Legislature is uncertain, Gov. Arnold Schwarzenegger, a Republican, has indicated he would be open to a “robust debate” on the issue.

California voters are also taking up legalization. Three separate initiatives are being circulated for signatures to appear on the ballot next year, all of which would permit adults to possess marijuana for personal use and allow local governments to tax it. Even opponents of legalization suggest that an initiative is likely to qualify for a statewide vote.

24. *Alex Says:*

[October 29th, 2009 at 2:52 pm](#)

Mike- Social security is ok so long as the government can pay off its bonds.

bluemeanies: this is a little disingenuous, as the government will pay a higher cost of borrowing through the loss of a captive lender. The shortfall will still be made up by the taxpayer, just indirectly.

25. *Mike Says:*

[October 29th, 2009 at 2:53 pm](#)

Bluemeanies, I’m not saying failing to pass health care is going to stop this trend, this is the exact trend I was thinking about. I’m saying that we’re assuming that X amount of people without insurance will be covered by the public option. When in reality there will be substantial pressure to shift to the public option which will throw off all of these calculations being talked about today. And I’m saying that Matt is wrong when he says “most people will still have private employer-provided insurance”

The Medicare problem still holds because these demographic and increasing cost issues did not come out of left field. The feds had decades to plan for this but they didn’t, right? Why is there an assumption that now they will be able plan another program correctly when they have consistently screwed medicare up.

26. *JM Says:*

[October 29th, 2009 at 2:54 pm](#)

JM, that’s diaper-school.

... which, as your posts demonstrate, is all you deserve.

27. *Thom Says:*

[October 29th, 2009 at 2:56 pm](#)

The private insurance model has failed,

Not quite. It would be much more accurate to say that *a* private insurance model has failed.

28. *Frugalchariot Says:*

[October 29th, 2009 at 2:58 pm](#)

It's simple, incredibly simple. Universal Single Payer NOW, publicly funded (bye bye, insurance industry). Pay for it and have change left over simply by cutting Pentagon spending by however much it takes plus ten percent. Bonus feature: US-sponsored aggressive imperialist war would be a thing of the past.

29. *JM* Says:

[October 29th, 2009 at 2:59 pm](#)

Why is there an assumption that now they will be able plan another program correctly when they have consistently screwed medicare up.

Because 'the feds' aren't the same people they were 'decades' ago and they have as an incentive an unsustainable increase in healthcare costs which has to be addressed one way or another?

Again, magical thinking about government always being magically inefficient just because it's government will have you chasing your tail

30. *DTM* Says:

[October 29th, 2009 at 3:00 pm](#)

If it proves really popular, it is possible that the exchange will kill off employer-provided healthcare. And if it proves really popular, it is possible that the public option will kill off its private competitors in the exchange, at which point we get single-payer for basic health care insurance. But none of that will happen unless these programs prove popular, and it will likely require further legislation as well.

Of course that is what really has a lot of people in certain circles in a panic: not that these programs will inevitably lead to a government takeover of providing basic health care insurance, but rather the possibility that these government programs (sponsored by Democrats) could actually prove very popular.

31. *JM* Says:

[October 29th, 2009 at 3:04 pm](#)

Since the profitability of the system we have is predicated on its authority to drive people into bankruptcy, why on earth would we be afraid of a state-based system of a type that the rest of the developed world seems to be able to run?

Sorry, rhetorical question. Uh, “death panels, rationed care, IRS + KGB, government takeover France.”

There, that was easy.

32. *mike* Says:

[October 29th, 2009 at 3:10 pm](#)

JM,

I love how your failure to really address the Fannie Mae / Freddy Mac issue ties directly into your accusation of “magical thinking”.

Because with Fannie and Freddy we had two organizations that were – in theory – private organization set up by the federal government that would not receive direct federal dollars. Ever. Yet, because they were given exceptions to various regulations they were subject to the political whims of the Federal Government. Specifically pressure to deliver mortgages to low-income Americans who were not being

serviced by the evil bankers in the private sector. And when they failed they required additional federal funds to prop them up.

Why would that not happen with the public option? Why would it not make decisions based on what Barney Frank (or whoever) tells them to do? Why would it not be “placed into conservatorship” if they ran out of money, because long-term planning is not the strength of politicians ANYWHERE, but especially in America.

Now, in light of that, who is thinking magically?

33. *Led* Says:

[October 29th, 2009 at 3:11 pm](#)

If Dems can barely (if at all) pass a bill with the public option that is required to be self-funding just because Congress might pass another bill down the road that funds the public option, doesn't it stand to reason that the second bill would be pretty difficult to pass? It would be odd if the opposition to a hypothetical future bad thing that might occur if a new law were passed were stronger than the opposition to the the real, actual bad thing.

34. *James Robertson* Says:

[October 29th, 2009 at 3:13 pm](#)

Since neither medicare nor medicaid have ever exceeded budget expectations, this is truly awesome. If eliminating private insurance for health is good, we should eliminate the food industry too. We can get rid of trans fats and all the other bad things I'm not supposed to eat.

While you're at it, why not remove the right to vote? Clearly, the public makes bad choices way too often; a nicely progressive set of benevolent technocrats would work out better. And think of all the money saved by eliminating campaigns...

35. *JM* Says:

[October 29th, 2009 at 3:21 pm](#)

I love how your failure to really address the Fannie Mae / Freddy Mac issue ties directly into your accusation of “magical thinking”.

Right. Because Fannie Mae and Freddie Mac just *had* to fail because they were GSE's, it had nothing to do with a real estate market imploding under mortgage fraud. It's a “failure” to “really address” the fact that government things fail because they are government.

You were wrong at #7. Getting pissy about it won't change that.

36. *Aatos* Says:

[October 29th, 2009 at 3:22 pm](#)

I think the conservative Democrats are going to support the bill while taking credit for stripping out all the socialism and death panels.

37. *JM* Says:

[October 29th, 2009 at 3:28 pm](#)

Since neither medicare nor medicaid have ever exceeded budget expectations, this is truly awesome.

Wait, wait, wait. I thought the big, scary Democrats were pushing big, scary cuts in Medicare. What's this “medicare is perfect” strawman that JR and Mike seem to be pushing?

Did new talking points go out today?

38. *joe from Lowell* Says:

[October 29th, 2009 at 3:31 pm](#)

For real, JM.

It was very odd to spend the summer listening to conservatives and libertarian explain that people running government offices are fanatical, conscientious cost-cutters, who scrimp on every opportunity to expand the level of service they provide, in order to keep their budgets down.

I guess we're back to the old talking points.

39. *Mike* Says:

[October 29th, 2009 at 3:33 pm](#)

The too largest players in the mortgage market imploded the mortgage market, because they were ORDERED to take on excessive risk. And no amount of putting your fingers in your ears and saying “government never fails” will make that not true.

okay, this was fun, bye forever

40. *Alex* Says:

[October 29th, 2009 at 3:35 pm](#)

DTM: it may prove popular even if it turns out to be inefficient

41. *joe from Lowell* Says:

[October 29th, 2009 at 3:35 pm](#)

I wouldn't hang around after making such a ridiculous assertion, either.

42. *JM* Says:

[October 29th, 2009 at 3:40 pm](#)

The too largest players in the mortgage market imploded the mortgage market, because they were ORDERED to take on excessive risk. And no amount of putting your fingers in your ears and saying “government never fails” will make that not true.

Ah, another straw man, “government never fails.” If it's not a straw man, Mike's not interested.

Just like he's not interested in anything but government interference as a cause of the subprime mortgage crisis of 2007.

Nice simple world. I guess it has to be.

43. *DTM* Says:

[October 29th, 2009 at 3:49 pm](#)

DTM: it may prove popular even if it turns out to be inefficient

Really? Inefficiency would mean either that it was providing relatively poor benefits for the premiums that it was charging, or that it was charging relatively high premiums for the benefits that it was providing. In which case would it prove popular?

I think what these people realize is that when you combine a non-profit with negligible marketing costs and the scale necessary to bargain favorably with providers, it is going to prove very efficient in the exact ways that people care about.

44. *Mike* Says:

[October 29th, 2009 at 3:53 pm](#)

Sorry, JM but your douchbagery made me come back one more time.

At what point did I ever say that all government action was bound to fail, yet you accused me of that as well. Also, at what point did I say anything about death panels? So settle down on the straw man bullshit. I was just as annoyed as you that restrictions on care were taken off the table this summer, since they are a key feature of the European programs you like so much.

Anyway, you seem to not believe that the government played ANY role in the subprime mortgage crisis of 2007. Now THAT must be the simple world. It must take a lot of ignoring of facts (you should check into those, you can learn a lot from facts) and saying “bankers are evil!” at parties. Great fun, I’m sure.

Now, you COULD argue that greater regulations of GSEs would of helped prevent the meltdown. You don’t because you’re busy correcting grammar, but it’s look at that argument. Since I think it is a good argument. (more proof that you are king of the straw men) Okay, great, but the fact remains that those regulatory changes were politically unpopular so they didn’t happen. The fucking point that we can’t trust congress to do important shit holds.

Does government always screw up? No, but they do often enough.

I’m not even saying that the public option WILL fail. I AM saying that is likely to cost more than predicted and I AM saying that it will affect people with employer provided insurance. You’re the one who seems unable to see that and you call me brainwashed.

45. *joe from Lowell* Says:

[October 29th, 2009 at 3:55 pm](#)

Excuse me, I’m trying to get something going.

Olympia Snowe is from Maine, where they have lobsters.

Ben Nelson is from Nebraska, where they have cattle.

Lobster and steak. Surf and Turf. The priciest special on the menu, that you can’t afford.

Senate centrists out to kill HCR = the Surf and Turf Coalition.

46. *JM* Says:

[October 29th, 2009 at 3:55 pm](#)

I think the reason HCR is such a sore point for conservatives is because the state of affairs in this country not only gives the lie to their free-market fundamentalism, it does so with such a huge human cost that it’s become impossible to ignore.

The free market is supposed to produce the best products and services for the lowest cost. Government interference is bad and screws this up and when it does, we all pay. At least, that’s the orthodoxy.

But the US pays more per capita and has inferior health care outcomes compared to systems with more government control. The VA and medicare are rated higher by their users than are the plans everyone else uses. Those systems, furthermore, are more efficient as measured by administrative costs. Conservatives can call for more deregulation and tort reform, but the industry is already exempt from anti-trust laws and tort reform hasn’t controlled costs in the states that have tried it (which shouldn’t surprise anyone who can count).

So here we have a situation where government does it better for less. For a conservative, it’s like a Christian Scientist finding out that he has acute appendicitis.

47. *JM* Says:

[October 29th, 2009 at 3:56 pm](#)

Sorry, JM but your douchbaggery made me come back one more time.

Wow, even your “goodbye forever” was wrong.

Well, at least you’re consistently wrong.

48. *Davis X. Machina* Says:

[October 29th, 2009 at 3:56 pm](#)

If I as a teacher of electives had a shot at getting the school board making my course mandatory, I’d be on it like a lineman on a fumble.

Here’s what mystifies me...why are the insurance companies fighting tooth and nail to stop legislation that’s *going to drive customers to their door*, with the full majesty of the law applying sanctions to those who refuse to be so driven? It smacks of ‘B’rer Rabbit and the priar patch’, but they’re spending millions to avoid being thrown, which is an expensive bluff—and a lot of money to spend defending a principle.

They will take a revenue hit if they are made to toe the line on exclusions, recisions, etc, but they can make up in volume what they lose per unit, surely? Are they really going to lose money if they can’t screw people over with their usual alacrity?

Or is the public option *really* the thin end of the single-payer wedge? The public option won’t be open to more than a handful of the drive-ees, it appears, so it isn’t the lethal threat *per se*....

Color me bemused.

49. *JM* Says:

[October 29th, 2009 at 3:59 pm](#)

I think what these people realize is that when you combine a non-profit with negligible marketing costs and the scale necessary to bargain favorably with providers, it is going to prove very efficient in the exact ways that people care about.

Speaking of marketing costs, imagine what US pharmaceutical companies could do if they hadn’t started blowing so much on advertising? Or re-engineering old drugs whose patents had expired. Or ghost-writing phony research?

Being fraudulent assholes sure is expensive. But at least they had the sense to make a separate peace.

50. *DTM* Says:

[October 29th, 2009 at 4:00 pm](#)

By the way, bad government decisions certainly helped cause the subprime crisis. But the causal role played by the GSEs was relatively minor—the big issue with them was less that they caused the crisis, than that they were allowed to overexpose themselves to the crisis.

51. *JM* Says:

[October 29th, 2009 at 4:01 pm](#)

Here’s what mystifies me....why are the insurance companies fighting tooth and nail to stop legislation that’s going to drive customers to their door, with the full majesty of the law applying sanctions to those who refuse to be so driven?

Because the same legislation is also putting a stop to rescissions, lifetime caps, and making them take on poor investments, erm- I mean “customers.”

52. *JM* Says:

[October 29th, 2009 at 4:04 pm](#)

By the way, bad government decisions certainly helped cause the subprime crisis.

Yep. Both regulation and deregulation played a role. That and Bush’s use of the OCC, but that’s more like a deliberate error, so it’s hard to call it a bad government decisions. More like “corruption.”

53. *Alex* Says:

[October 29th, 2009 at 4:04 pm](#)

Really? Inefficiency would mean either that it was providing relatively poor benefits for the premiums that it was charging, or that it was charging relatively high premiums for the benefits that it was providing. In which case would it prove popular?

In the “charges low premiums for good benefits and ends up losing money” case.

I expect a lot of pressure from lawmakers to provide a lot of treatments (to satisfy the medical lobby) and an equal amount of pressure to push premiums low, above and beyond simple market forces.

I think what these people realize is that when you combine a non-profit with negligible marketing costs and the scale necessary to bargain favorably with providers, it is going to prove very efficient in the exact ways that people care about.

But aren’t there already plenty of nonprofit health insurers? I can’t imagine that marketing is a huge part of their costs, given that they typically only have to market to companies rather than individuals.

If the only benefit of a public option is that it doesn’t have to pay advertising costs, is it really worth it?

54. *jairoi* Says:

[October 29th, 2009 at 4:07 pm](#)

Davis X. Machina, allow me to fuel your Stonian conspiracy neuronal networks by reminding you that the early October study attacking the Senate Finance Committee’s bill, which is frequently [cited as a](#)

[major factor](#) in renewing enthusiasm for reform, was sponsored by AHIP.

55. *DTM* Says:

[October 29th, 2009 at 4:19 pm](#)

In the “charges low premiums for good benefits and ends up losing money” case.

That would take a change in the law. I think such a change is unlikely if the public option doesn't prove popular first.

But aren't there already plenty of nonprofit health insurers? I can't imagine that marketing is a huge part of their costs, given that they typically only have to market to companies rather than individuals. If the only benefit of a public option is that it doesn't have to pay advertising costs, is it really worth it?

There are no nonprofits with anything like the scale in question (a factor I explicitly noted and which you seem to have completely ignored). And the marketing is tied to scale, because it would be impossible for a private nonprofit to achieve equivalent scale without extensive marketing.

So, yes, a nonprofit public option which can achieve the necessary scale without any substantial marketing is indeed quite worth it, and will feed directly into a better benefits-to-premiums ratio. And that is what has the people in the relevant circles in a panic.

56. *Senescent* Says:

[October 29th, 2009 at 4:24 pm](#)

It strikes me as strange to analogize a government-purchasing arrangement to a sham negotiation with a violent criminal organization

Wait, seriously?

57. *pseudonymous in nc* Says:

[October 29th, 2009 at 4:33 pm](#)

Pastryboy manages to serve up another non sequitur. Cato and Reason and the other libertarian Glee Clubs can keep talking about pot, porn and Playstations (© Hector) to their silly little hearts' content. On the subject of healthcare, they are heartily invited to shut the fuck up.

The Magic Market Fairies have delivered unto the health insurance industry such efficiencies as the pre-existing condition exclusion, the lifetime cap and rescission, all within the context of hegemonic market control in a majority of states.

58. *Poptarts* Says:

[October 29th, 2009 at 4:37 pm](#)

If the only benefit of a public option is that it doesn't have to pay advertising costs, is it really worth it?

That's not the only benefit, but if you look at other countries like France, yes you get much more bang for the buck. Although I guess we'll be more like the Swiss, of all people.

Our system right now is incredibly expensive and inefficient at doing what I and most people would consider an advanced nation's health care system should do.

59. *JM* Says:

[October 29th, 2009 at 4:39 pm](#)

pseud has the right ‘tude. Considering the people killed by this industry, if it were run by Arabs, we’d have bombed it by now. So they’re losing their corrupt little monopoly that forces Americans to pay more and accept less, all while being driven into bankruptcy, occasionally to be left to die.

They should be glad they’re not just taken out and shot.

60. *JM* Says:

[October 29th, 2009 at 4:41 pm](#)

Our system right now is incredibly expensive and inefficient at doing what I and most people would consider an advanced nation’s health care system should do.

Efficiencies are for girly-men. How much softer would America be if its healthcare system *helped* people? Why are you liberals always trying to help people?

It take a real man to shit other people’s lives down the toilet. You liberals just don’t get that.

61. *Poptarts* Says:

[October 29th, 2009 at 4:45 pm](#)

Pseudo

Cato and Reason and the other libertarian Glee Clubs can keep talking about pot, porn and Playstations (© Hector) to their silly little hearts’ content.

Yes they are solipistic, that is they are selfish and are obvlious to other important things happening to other people out there, which is why they are also isolationists like you. Who gives a fuck about dusky foreigners when you’re high watching porn or playing playstation? All they know is they don’t want their tax money spent helping out little black babies on different continetns. Different varieties of assholes do tend to think alike.

62. *joe from Lowell* Says:

[October 29th, 2009 at 4:52 pm](#)

If you’re new to this blog, Poptarts likes to use the word “isolationist” to describe people who support things like foreign aid spending, the United Nations, and multilateral diplomacy, if they don’t also express support for the Iraq War.

63. *JM* Says:

[October 29th, 2009 at 5:00 pm](#)

Well, I’m not new to this blog and I just assumed “isolationists” referred to people who opposed wage arbitrage to the point that the US was run by an exec and two temps.

64. *Poptarts* Says:

[October 29th, 2009 at 5:38 pm](#)

@ 62, Joe I’d consider you more of realist

@ 63 an exec and two temps and 10 thousand robots

Surf and Turf 2014!

65. *James Robertson Says:*
[October 29th, 2009 at 5:59 pm](#)

JM:

So let me get this straight: when Reagan spoke of “waste fraud, and abuse” in things like Medicare and Medicaid, it was close to a war crime. When Democrats speak of the same thing, it’s heroism.

Never mind the fact that the Congress will never actually enact any cuts; every year, they vote to void reduced payments. I don’t think the Democrats will mount a campaign to cut programs that target the poor and the elderly in this version of reality...

66. *soullite Says:*
[October 29th, 2009 at 6:02 pm](#)

I’ve never heard an actual explanation as to what this bill was supposed to do that is actually good on it’s own. Not a real one that doesn’t rely on outright lying about ‘ending rescission’ or ‘guaranteed issue’ by pretending paltry fines will actually dissuade these companies from their scumbaggery and ‘fraud’ exceptions large enough to drive an oil tanker through.

What this bill will do is burden millions of Americans with extra fees, and funnel enough money into the insurance industry to enable them to bribe enough Senators so that they can get away with killing thousands of people every year and stop any future reforms in their tracks.

Thos pretending otherwise aren’t ‘realists’, they free market-fairy idealists who refuse to see the world and this government for what it really is.

67. *Jason L. Says:*
[October 29th, 2009 at 6:10 pm](#)

Surf and Turf does have a good ring to it, much better than Surf, Turf, and Asphalt, which would allow us to include Landrieu and Lincoln.

68. *joe from Lowell Says:*
[October 29th, 2009 at 6:32 pm](#)

Arkansas has cattle.

Louisiana has shrimp, which can found in many Surf and Turf specials.

@ 62, Joe I’d consider you more of realist

No, Poptarts, I’m a liberal. Not a realist, not an isolationist, a liberal. Slow to use force, doubtful about what it can accomplish outside of a very narrow range, eager to bring diplomacy and humanitarian efforts to bear on problems – a liberal.

69. *Jason L. Says:*
[October 29th, 2009 at 9:58 pm](#)

’m a liberal. Not a realist, not an isolationist, a liberal. Slow to use force, doubtful about what it can accomplish outside of a very narrow range, eager to bring diplomacy and humanitarian efforts to

bear on problems – a liberal.

Raises glass

70. *Douglas McClean* Says:

[October 29th, 2009 at 10:01 pm](#)

Listen, Mike and others claiming that the government strong-armed FNMA and FHLMC into making high risk loans, leading to their inevitable failure:

How, exactly, do you explain the fact that all the super-pure-capitalist-very-fine-not-government banks did the same thing, leading to exactly the same failures?

How, further, do you explain the fact that FNMA and FHLMC **don't issue loans to individuals at all**, and that **all of the loans you are complaining about** were first issued by (entirely, not government sponsored) private companies before some of them were later resold to FNMA and FHLMC? And that even then, 85% of these loans were securitized by the private investment banks and a mere 15% by FNMA and FHLMC?

How, further still, do you explain the fact that a mere one of the top 25 subprime issuers was even covered by the, much maligned in the circles that are pushing this faux history of the recent crisis, Community Reinvestment Act of 1977?

There is stunningly little evidence for the proposition that the government “pressure” to loan money to risky poor people had any significant role whatsoever in the recent crisis; and so despite my *a priori* inclination to support that proposition, I think that a review of the evidence must lead us to reject it.

All of this has little to do with health insurance reform, but I don't think we should be starting this much revisionism of events so recent.

71. *soullite* Says:

[October 29th, 2009 at 10:33 pm](#)

To me, “Liberal” means someone who is fairly right-wing on economic issues (pro-free trade, pro-tax-cuts and tax credits, anti-direct social spending, pro-business, anti-worker) and left wing on social issues (Gay rights, Abortion, Gun Control). I know that's not the technical or historical meaning of the word, but since Bill Clinton, it has been the American reading of the word.

Liberalism is, in short, anti-populist and anti-democratic. those are it's defining features in America.

72. *pseudonymous in nc* Says:

[October 30th, 2009 at 12:40 am](#)

which is why they are also isolationists like you.

Oh, Pastryboy, one of these days you're going to stop talking shite, though I expect that it'll come only around the time you finally get led out of the jungle to find that you're the only librulhawk still fighting the Iraq-was-worth-a-bombing rhetorical war.

Cato is thus invited to shut the fuck up about healthcare, just as librulhawks and McArdle-esque libertarians are invited to sit out discussion of the next foreign military adventure.

73. *joe from Lowell* Says:

[October 30th, 2009 at 8:12 am](#)

soullite,

That’s because you’re a Marxist, and ameliorationists like me play hell on your efforts to “heighten the contradictions” on the backs of the working class.

I want full bellies, and you realize that people with fully bellies don’t march in the streets.

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