The Public Plan: A ‘Straw Man’?

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By now, most readers of P&T have had a stomach full of possible scenarios for reform of our ailing health care system. The Obama administration has engineered an amazing political scenario in which no new health plan actually exists, as we await legislation from Congress. The Republicans are attempting to battle whatever leaks emanate from committees on Capitol Hill and from the basement in the White House. I am going out on a thin limb to say that one aspect of the proposals— the “public plan”—is simply a “straw man” and has no future.

Why do I say that? I will present arguments, pro and con, regarding the so-called public option.

Somehow the idea of a government health insurance company has come to the fore. Such a firm would ostensibly be organized to compete with both for-profit and not-for-profit private companies and would be expected to do a better job than all of them put together. Advocates of such a plan also commonly believe that this company would be more efficient, more honest, and more successful in this company would be expected to do a better job than and not-for-profit private companies and organized to compete with both for-profit the fore. Such a firm would ostensibly be called public option.

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He is correct when he adds that to tackle these three problems would require real reform in the financing, organization, and delivery of health care. Therefore, we begin to see that the public option is really a political straw man.

Another prominent economist, Harvard’s N. Gregory Mankiw, PhD, writes in a New York Times editorial:

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He notes that if the government is virtually the only game in town, physicians and health care professionals will have little or no choice but to take whatever they can get from this one provider.

As if these two writers’ opinions weren’t enough, John E. Calfee, PhD, a resident scholar at the American Enterprise Institute in Washington, DC, has also weighed in on the public option in The Wall Street Journal. He writes that the argument that we need a public plan to motivate competition “just isn’t plausible. Hundreds of health insurance plans already exist, and employer benefit managers can choose among numerous alternatives.”

Dr. Calfee observes that nonprofit health insurance firms are common, including many of the Blue Cross Blue Shield plans. Nonprofit status has not proved to be a reliable source of efficiency and cost saving.

He concludes that a public plan would possess “formidable and perhaps overwhelming competitive advantages—generated not by efficiency but by the artificial advantages of ‘public’ status.”

I’m sure that proponents of the public plan would line up supporters just as prestigious as these three experts, but that would miss the point entirely. I think that the Obama administration has floated the public option as a kind of political straw man, an opportunity to put the issues on the table without an authentic political agenda to implement such a plan. I believe that the President recognizes that we must tackle the fundamentals, and a public option essentially ignores those basic problems of cost, coverage, and quality.

One possible political scenario is that the straw man is killed and a compromise is declared, in turn allowing the administration and Republican opponents to unite on more important matters—such as actual reform of the health care system. Among potential solutions, or at least tools to move us in the right direction, are the following.

1. We need to augment Medicare and Medicaid with more solid funding to get us past the predicted meltdown of the Trust Fund in 2017. Of course, comparative effectiveness research is an important investment in helping us to determine how to eliminate waste from the system, which is the only true way to reduce total spending.
2. We need a further commitment to align Medicare and Medicaid with the findings of comparative effectiveness research.

3. We need to develop a fundamental realignment of the pernicious financial incentives that now drive the behavior of most health care professionals. In a nutshell, Medicare should be allowed to pay hospitals and doctors in lump sums; this strategy would force teamwork, coordination, and a broader view of the entire spectrum of care. Whether this can be done through accountable health care organizations or a different format has not been determined.

4. We must reduce the epidemic of medical errors and improve the quality of health care, thereby saving lives and money.

No one knows at this point whether the public option is really a straw man. To me, this all seems self-evident. We will see what plays out in the basement of the White House and behind closed doors on the Hill.

As always, I’m interested in your views. My e-mail address is david.nash@jefferson.edu. Please also visit my blog, http://nashhealthpolicy.blogspot.com.

REFERENCES