



CBO on House Democrats' Health Reform Plan

The Congressional Budget Office on July 26 published a preliminary analysis of the House Democrats' healthcare reform proposal known as America's Affordable Health Choices Act. The CBO made assumptions that led them to conclude a public insurance plan could coexist with private plans.



Democrats and the media pounced on this to support President Obama's reform efforts. But the CBO conclusion comes from specific assumptions that even they admit are questionable: "Because all of these factors are uncertain, estimating enrollment in the public plan is especially difficult." For instance, the CBO says somewhere in the area of 11 million people would enroll in the public insurance plan by 2019 based on estimates that the public plan premium will be only 10 percent less than private premiums and that it will be open only to firms with 50 or fewer employees (in addition to those without employment-based insurance).

If the public plan is only 10 percent cheaper, that's not much justification for it to exist, but it also seems odd that the CBO doesn't think more people would want to save that 10 percent. One limitation would be that some healthcare providers could refuse to accept patients who are on the public plan, as many are refusing Medicare patients now. Will it really be any bargain for public plan participants to pay slightly lower premiums when they will likely be limited in their choice of doctors and hospitals? The CBO admits this: "Another factor relevant to our estimate is our assessment that some providers would choose not to participate in the public plan, which would discourage some enrollees from choosing that plan despite its lower average premium."

The CBO analysis mentions the Lewin Group's assessment that more than 100 million people would sign up for the public plan, almost 10 times as many as the CBO is guessing. This figure comes from the Lewin Group's estimate that public premiums would be at least 20 percent less than those in the private sector, while coverage would eventually be opened to companies of any size. Premiums would be less because it was assumed that the public plan would pay healthcare providers about as much as Medicare does now, and Medicare pays only cents on the dollar compared to private insurance. Whether the CBO or the Lewin Group is correct cannot be known with certainty, but the CBO seems rather generous in one additional assumption they made: the public plan would charge premiums that cover its cost.

Besides premiums, President Obama's proposed public option would be supported by wealthy taxpayers



Written by [Steven J. DuBord](#) on July 28, 2009

and the penalties paid by firms choosing not to offer coverage. This is a source of income denied to private insurance companies. There is also nothing preventing the public plan from cutting its costs by paying less to healthcare providers than private plans do, just like Medicare. Government could draw more people to its plan simply by lowering premiums and opening coverage to businesses of any size, a strategy guaranteed to drive the government's only competitors — private insurance companies — out of business.

So if the CBO estimates were to turn out to be closer to reality, the public plan would save some people a mere 10 percent and limit their choice of healthcare providers. But why wouldn't the government want to eliminate its only competitors? President Obama is on record as a proponent of single-payer, socialized medicine, and the quickest way to get there without arousing opposition is to start a limited public plan and eventually follow the strategy outlined by the Lewin Group. People would flock to the public plan because of the lower premiums and private insurance companies would go out of business en masse. Before long, only one viable option would be left: the government's single-payer, socialized healthcare plan.

Neither option is as attractive as dismantling the managed-care system we have been shackled with, getting government out of healthcare, and restoring the free market. Just as competition is even now driving down the cost of procedures not covered by insurance, such as cosmetic surgery and corrective laser eye surgery, it could make all medical care affordable once again if it were just given the chance.



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