

Ensuring the Insurers: Obama's Health Care Plan

The Obama administration is trying to address the pressing need for universal health care by keeping the insurance companies front and center. The Obama plan contains an impressive list of measures that together could yield near universal health care were it not for its inclusion of the insurers.

The Obama plan would subsidize premiums as an incentive to buy insurance. The subsidy would become smaller as incomes rise, dropping to zero for the more prosperous. Small employers could also get government subsidies for insuring their employees. The plan would expand further the number of insured by making more people eligible for Medicaid and the State Children's Health Insurance Program (S-CHIP). It would require parents to buy insurance for their children or enroll them in a government program for which they qualify. Any mid-size or large company would have to insure its employees or else pay into the fund that subsidizes insurance.

Getting near-universal health care is one thing but getting it at a price the nation can afford is another. Including insurers threatens affordability. The Obama reform might be affordable at first. But would it be later? Premiums rose 87% between 2002 and 2006. The insurers say they are blameless since they are just trying to keep up with the real cost of health care. What's real though is that the insurers find it more profitable to raise premiums than to block pressure to raise costs from hospitals, device and instrument suppliers, pharmaceuticals, and certain medical specialties. Instead, we have to look to the non-commercial insurer Medicare to find one trying to hold the line on costs.

Moreover, year after year the insurers take from your premiums their profits, marketing costs, payment on debt incurred by mergers, administrative costs, and millions for lead officers. Medicare covers administration with 3.5% of its budget, while the

insurers use 20 to 25% of premiums to cover overhead. This difference by itself represents enough to insure the uninsured.

With inflation and waste resulting from using the commercial insurers, we have to ask why we need them at all for getting universal health care. Those wanting to ensure the insurers argue that the best reform for now would keep what we already have. So we are to keep and improve Medicare, Medicaid, and commercial insurance. But is it possible to hold the commercial insurers in check?

To hold them in check the Obama plan calls for a Health Insurance Exchange that would create rules for those insurers joining it, both commercial insurers and one public plan. Commercial insurers would join the Exchange since outside it they could not sell the new subsidized insurance. The insurers in the Exchange would offer comprehensive plans, use more of their premiums for health care, make premiums “stable and fair,” and not discriminate against those with pre-existing conditions. The intent would be to create a market in which competition would squash premium inflation.

Yet these reforms will not stop the inflation in health care. “Stable and fair premiums” will come to mean what a lobbying and public relations campaign can convince the Insurance Exchange that the insurers must have to cover soaring medical costs. After all, the so-called regulated utilities have shown how to be, in fact, unregulated. Restricting marketing and profits would soon spark a campaign against stifling competition among insurers, leading the Insurance Exchange to relent by allowing them to use less for health care from premiums. Recall that when the insurers could not make a profit by setting up HMOs using standard Medicare reimbursement rates, the Congress encouraged them to make a second try at 12% more than standard rates. As for pre-existing conditions, insurers would find ways to deny risky applicants by tactics such as delaying action, rejecting applications with errors, and discouraging applications from high-risk areas.

The claim to improve the insurers is a way to sell a reform plan that ensures the insurers of their survival. Insurance inflation

might be less at first, but it would accelerate thereafter. This would destroy the plan by making it impossible to fund it fully, leaving even more without insurance. Instead, the country is ready for a plan without the insurers, one that would contain costs. It is House Bill 676, introduced by Representative John Conyers.

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