

Background Paper 4:

On designing a 'robust' Public Option for Washington's Health Benefits Exchange

Health Care for All-Washington advocates for high quality, sustainable, publicly-funded health care for all Washington residents. To that end we have written a state-based single payer health insurance plan, the Washington Health Security Trust. It is based on the Institute of Medicine's principles of health care that offers *universal coverage* to all state residents, that is *continuous* from birth to death, that is *affordable* to the individual regardless of employment, that is *sustainable* to society, and that is *accessible* to one's provider of choice.

Many people ask if a "public option" among competing private health insurance options might be a desirable step along the way to a single payer system. We have not been able to identify a successful model yet of a public option. However, we offer these criteria for judging whether any proposed public option for Washington state is feasible.

Criteria for a successful Public Option

- The first criterion for any 'robust' Public Option is that it should offer *universal coverage* to all those uninsured or underinsured.
 - Some individual mandate plans, such as in Massachusetts, offer exemptions to those who can't afford insurance, which leaves them free from penalties, but uninsured.
 - A 'Public Option' must be open to everyone; leaving none "trapped" in private plans. The public want a public option which will be open and affordable to all residents in Washington state.
- The second criterion for any 'robust' Public Option is that it should charge rates low enough to be *affordable* for the individual premium-payer, and *competitive* against pre-existing private insurance practices.
 - In a market allowing a large number of private insurance companies to compete for policy purchasers, costs will be unnecessarily high because of costs of claims processing, advertising, and salaries for management, and profits or 'reserves'. Adding a Public Option to the other 280 insurance "product lines" offered in Washington state would do little to cut costs in doctors' offices or in hospital billing departments.
 - In order to assure the "level playing field", private insurance plans cannot be allowed to sell cheaper plans to healthier patients

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- The third criterion for any 'robust' Public Option is that it should have large enough pool of residents to be financially *sustainable*. This pool of premium-payers must not represent 'adverse selection', being the sicker residents of the state.
 - If private companies have already enrolled healthy individuals at lower premiums, or if they are allowed to offer lower rates to only the 'desirables', there will not be enough healthy premium-payers to prevent ever-rising costs.
 - If the current employer-based system remains in place, then it is important to ask how employees can avail themselves of a Public Option. A large number of individuals in a potential community-wide pool is held "captive" in employer-based plans, and are kept from participating.
- The fourth criterion for any 'robust' Public Option is that it should charge rates that are *sustainable* for the public entity that disperses payments to providers.
 - Any public option should be based on an equitable scale of individual premiums, and public taxation.
 - Offering large portions of the population 'subsidies' and tax credits in Exchange options only hides the true costs. (1) It continues public funds going into the coffers of private insurance companies, and (2) it increases the chances of reductions in, or even elimination of, the program at the next economic downturn.
- The fifth criterion for any 'robust' Public Option is that it should allow easy *accessibility* to providers of choice.
 - Most residents already have their providers chosen and would be reluctant to leave the known for the unknown, if the Public Option only offered an alternative 'preferred provider list'
 - If a Public Option has to exist alongside private insurance options, all with preferred provider lists, it assumes a surcharge for seeing a doctor outside the restricted choices available.

For more information, find us at: www.healthcareforallwa.org