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News Analysis

Public Option Fades From Debate Over Health Care

By [ROBERT PEAR](#)

WASHINGTON — It was just one line in a campaign manifesto, and it hardly seemed the most significant or contentious. As a presidential candidate, [Barack Obama](#) said he would “establish a new public insurance program” alongside private health care plans.

That proposal took on a life of its own, but it now appears to be dying, a victim of an ineffectual White House strategy, the president’s failure to argue passionately for the “public option” and all-out opposition by the insurance industry and much of the health care industry.

In the campaign, Mr. Obama said the public plan would compete with private insurers on the price and quality of care, thus benefiting consumers. What Mr. Obama did not foresee is that, to some people on the right and the left, it would become the most important issue in the debate over health care, touching off a battle over the role of government in one of the nation’s biggest, fastest-growing industries.

Once in office Mr. Obama and his advisers have sent conflicting signals about how critical a government-run health plan would be. He prefers a public plan but is open to other ideas.

Dancing around the issue for eight months, Mr. Obama has seemed, at various times, pragmatic, flexible or indecisive.

“I just want to figure out what works,” Mr. Obama said in March at a White House forum. If he could drive down health costs and expand coverage “entirely through the market,” he said, “I’d be happy to do it that way.” And “if

there was a way of doing it that involved more government regulation and involvement, I'm happy to do it that way, as well," he added.

Champions of the public plan said it could save money by using [Medicare](#) rates and fee schedules to pay [hospitals](#) and doctors. In a book last year, one of Mr. Obama's top advisers, former Senator [Tom Daschle](#), said consumers should have the option of enrolling in "a government-run insurance program modeled after Medicare, a proven and popular program."

That is exactly what worries health care providers, who say Medicare pays them less than market rates paid by private insurers. And they have pressed their concerns on Capitol Hill with a small army of lobbyists.

Conservatives have another concern. They see the public option as a step toward a single-payer system in which the government would pay most of the nation's health care bill and could supplant private insurers.

"A public plan is essentially a stalking horse for a single-payer plan," said Senator [Judd Gregg](#), Republican of New Hampshire. "It is more than the camel's nose under the tent. It is the camel's neck, and probably front legs, under the tent. There is no way the private sector will be able to compete."

In trying to answer this charge, Democrats feel torn. Mr. Obama and many Democrats deny that they want to drive private insurers from the market. But others embrace the ultimate goal of "Medicare for all."

The [American Federation of State, County and Municipal Employees](#), which supports Mr. Obama and the public option, has long supported a single-payer system.

In a memorandum to union leaders last year, Gerald W. McEntee, president of the 1.6-million-member federation, said a public plan would "create a competitive check on the private market and build both public support and the infrastructure for a single-payer system."

Then in April, Representative Jan Schakowsky, Democrat of Illinois, said insurers were right to fear that a public

plan could “put the private insurance industry out of business.”

That might happen because of “the superiority of the public health care option,” said Ms. Schakowsky, one of 86 co-sponsors of a bill to establish a single-payer system.

Such comments provided new ammunition to Republicans already worried about the costly commitments undertaken by the federal government to stave off an economic collapse.

Senator [Jon Kyl](#) of Arizona, the No. 2 Republican in the Senate, voiced this sense of bailout fatigue in June when he said, “We have the takeover of the auto companies and banks and A.I.G. and [student loans](#) — and now health care.”

In battering the proposal for a public option, Republicans have made effective use of estimates by the Lewin Group, a consulting concern, which said that more than 100 million people might sign up for the government-run insurance plan.

By contrast, the [Congressional Budget Office](#) has estimated that 11 million to 12 million people might enroll.

Mr. Obama cited the lower estimate in a speech to a joint session of Congress on Wednesday, to buttress his assertion that fears of a public plan were overblown. “We believe that less than 5 percent of Americans would sign up,” Mr. Obama said.

But a leader of the Congressional Progressive Caucus, Representative Lynn Woolsey, Democrat of California, predicted that over time “more and more people will select the public option.”

If only 5 percent of people will enroll, she asked, “Why are the private insurance companies so worried?”

The different estimates by Lewin and the Congressional Budget Office are based on different assumptions about who would be permitted to enroll in the public plan — workers in all companies or just those in smaller businesses.

Many people who cite studies by the Lewin Group do not know it is a unit of Ingenix, a wholly owned subsidiary of UnitedHealth, one of the nation's largest insurers. John F. Sheils, a vice president of the Lewin Group, said the parent company had no influence over its research.

Momentum for the public option has waned, in part, because senators have been focusing on an alternative: nonprofit member-owned insurance cooperatives.

Apart from the question of whether co-ops would be workable or effective, they provide a politically convenient middle ground for centrists. With no immediate prospect of getting the votes for a public option in the Senate, some liberals have said they too are willing to consider the idea — if it enables them to pass a bill, and if the co-ops are strong enough to put competitive pressure on insurance companies.

Senator [Kent Conrad](#), Democrat of North Dakota, who floated the idea in early June, said co-ops would accomplish “much of what those who want a public option are calling for — something to compete with private for-profit insurance companies.”

At the same time, Mr. Conrad said, co-ops address Republican concerns because they are not controlled by the government.


Liberal Democrats are not giving up. Senator Tom Harkin, Democrat of Iowa, said the president and Senate Democratic leaders had not made a serious effort to round up votes for a public option. If they did, he said, it could pass.

While the White House has struggled to define its position, insurance companies have never wavered. Starting two weeks after the 2008 election, they have said they would accept greater federal regulation of their market practices if Congress also required everyone to have [health insurance](#).

These may have been tactical concessions, to abate public wrath, but they were well received in Congress. While

making these offers, the industry conserved its resources for the bigger battle over a public option.

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