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Public Option Gets New Life in Senate

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WASHINGTON -- The idea of creating a government-run health-insurance plan, once on life support in the Senate, is making a recovery among Democrats writing health-care legislation.

So far, no one is talking about a nationwide Medicare-like plan of the sort sought by many liberals, but several variations short of a national plan are being considered.

One would establish a national plan only if other proposals in the Democrat-led health overhaul fail to expand insurance coverage. Another would create a government plan, but allow states to opt out. Still another would allow states to opt in to a government plan, or experiment with their own plans. Prospects are growing that one of these variations -- or a blend of them -- will make it into the final Senate bill.

"This issue is alive, and we're looking at it," said Senate Finance Committee Chairman Max Baucus (D., Mont.).

The public plan is among the most contentious issues to be worked out between Senate Democrats and the White House ahead of floor action this fall. President Barack Obama has said he thinks a public plan is the best way to ensure competition in the health-insurance market, while adding that he is open to other ideas.

Conservatives warn that even a watered-down public plan would give the government too much control over health care and won't help lower costs. "Government setting prices and payment regulations is very much at the heart of our current problem," said James Capretta, a former associate director of the White House Office of Management and Budget during George W. Bush's presidency.

The fact that the public option is gaining new attention says a lot about the state of debate on Capitol Hill, where Democrats feel a breeze at their backs, despite the slow pace of action since Labor Day and continued attacks from the political right.

Advocates contend a public plan would encourage lower premiums and better terms for consumers in many parts of the country that are dominated by a handful of major insurers. "It gives some real competition, when many times there isn't," said Sen. Charles Schumer (D., N.Y.).

The Senate Finance Committee turned away from the public plan in favor of creating a network of nonprofit cooperatives. Just three weeks ago, the panel delivered a bipartisan rejection of two public-plan alternatives, in what looked like a critical defeat for the idea.

But a funny thing happened: It wouldn't die. Several factors explain why compromise versions of a public plan are gaining

traction. For one, the nonpartisan Congressional Budget Office concluded the cooperatives proposed by the Finance Committee "seem unlikely to establish a significant market presence in many areas of the country."

Also, private health insurers stepped up attacks on the Finance Committee bill, fearing it would saddle them with too many unprofitable customers. The committee had embraced cooperatives in part as a nod to insurers' concerns about a public plan, but the attacks led Democratic senators to look less favorably on the industry.

In August, when critics swamped town halls, the public plan was a symbol of excess. But now issues such as the proposed mandate that nearly all Americans buy insurance -- which would be enforced by financial penalties -- are bigger hot potatoes.

Sen. Evan Bayh, an Indiana Democrat, suggested the public plan may be losing its edge as an ideological litmus test. He predicted a "middle ground" will likely be found, perhaps by allowing states to opt in -- or out -- of a national plan. "That probably is a sensible thing to do," he said, adding that allowing states to experiment could provide a "test run...rather than just taking a blind leap into the unknown."

The notion of creating a public plan as a fallback option remains attractive to Democrats because it is backed by Maine Sen. Olympia Snowe, the lone Republican to vote for the legislation in committee.

Sen. Tom Carper (D., Del.) is pushing to give states the option to join a public plan, or to experiment on their own. "Those of us who are centrists are not as enamored of a public plan as our liberal colleagues," he said. "But what we are enamored of is the idea that there should be strong competition."

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