

Obama Plan Combines Public and Private Systems

BY MARY ELLEN SCHNEIDER

New York Bureau

With Sen. Barack Obama (D-Ill.) set to become the Democratic Party's presidential nominee, experts continued to scrutinize his plans to reform health care.

The centerpiece of Sen. Obama's plan is a public-private system that would allow people to remain in their employer-sponsored health plans while offering the uninsured the chance to purchase either a private or government-sponsored plan.

For the government-sponsored plan, the proposal uses as a model the Federal Employees Health Benefits Program—the system available to federal employees and members of Congress. For those who want to purchase insurance on the private market, Sen. Obama is proposing to create a National Health Insurance Exchange through which they could enroll in either the new government-sponsored plan or purchase a private plan.

All plans offered through the exchange would be required to offer at least the same coverage as the government-sponsored plan and adhere to the same standards for quality and efficiency.

Employers also would have a role to play under the Obama plan. Those employers that do not offer or contribute to employee health coverage would be required to pay a percentage of their payroll toward the cost of the government health plan. There would be an exemption for some small employers under the proposal.

The Obama proposal also calls for expanding eligibility for Medicaid and the State Children's Health Insurance Program. Under the proposal, the government would offer subsidies to individuals who do not qualify for Medicaid or SCHIP but still needed financial assistance to purchase health insurance.

Sen. Obama also would guarantee that no American could be turned down for health insurance because of illness or a preexisting condition. However, his proposal stops short of requiring all Americans to purchase coverage. Instead, the plan mandates coverage for children only.

The other half of Sen. Obama's plan is aimed at reducing premiums and decreasing overall health system costs. For example, he would target the catastrophic health expenses that account for a significant portion of the costs incurred by private payers. Under his plan, the federal government would reimburse employer-sponsored health plans for a portion of the cost of catastrophic health events above a certain threshold. In exchange, the plans would have to use the savings to reduce the cost of premiums.

Cost control also is addressed in the Obama plan, with electronic health records playing a big role. The candidate proposes to spend \$10 billion a year for the next 5 years

in an effort to encourage widespread adoption of EHRs. The idea is that the investment would reap savings through increased efficiencies since paper records are more costly to store and process than are electronic ones, according to the Obama campaign. The plan also seeks to control costs through greater regulation of insurance companies and by allowing the federal government to negotiate drug prices.

The Obama campaign estimates that, if implemented, the reforms they propose would save the average family about \$2,500 a year in medical expenses.

"I want to wake up and know that every single American has health care when they need it, that every senior has prescription drugs they can afford, and that no parents are going to bed at night worrying about how they'll afford medicine for a sick child," Sen. Obama said in June during a health care town hall meeting in Bristol, Va.

If elected, Sen. Obama has pledged to implement his health care proposal by the end of his first term as president.

But the plan continues to face critics on the left and the right. Grace-Marie Turner, president of the Galen Institute, an organization that favors free-market approaches to health care, said she is concerned that the government-sponsored program would be underpriced and crowd out the private insurance options the same way that Medicare has crowded out private insurance in the over-65 market.

"That is not a level playing field," said Ms. Turner, who also is an adviser to the presidential campaign of Sen. John McCain (R-Ariz.), who supports changing the tax structure to pay for health care coverage ("McCain Plan Relies on Tax Changes, Cost Control," June 2008, p. 58).

Sen. Obama's approach is really a "backdoor" to getting everyone on a government-funded health plan, she said.

Ms. Turner also criticized Sen. Obama's plan to have the federal government take on a portion of the costs of catastrophic health costs in employer-sponsored health plans. This type of approach would require the government to be heavily involved in auditing health care expenditures, she said.

Sen. Obama's plan also faced criticism from the left. Dr. Don McCanne, a senior health policy fellow with Physicians for a National Health Program, said the plan "falls far, far, short" by continuing to use the private health insurance industry as part of the structure. His organization favors the elimination of private plans and the creation of a single public program.

The concern with providing a government-sponsored plan in competition with private plans is that it would be subjected to adverse selection and the premiums would become unaffordable, Dr. McCanne said. The only way around that would be to provide additional funding



Sen. Barack Obama's reform proposal would allow people to remain in their employer-sponsored health plans.

through taxes or to have some method of risk pool transfer, in which the private plans with healthier beneficiaries would shift funds to pay for higher risk individuals, he said.

But Dr. Jack Lewin, CEO of the American College of Cardiology, said that maintaining the private system is politically smart. Sen. McCain's plan has the potential to destabilize the existing employer-based coverage system, he said. It might be a good idea to move away from that system, but that should be a gradual process, he said.

Dr. Lewin also praised the Obama plan for starting with coverage for children. However, after the mandate for universal coverage of children, the plan's details are somewhat murky, he said.

Sen. Obama also has been vague about subsidies, requirements on businesses, and the interaction of the public and private plans, said Len Nichols, director of the health policy program at the New America Foundation, a nonpartisan public policy institute.

And Sen. Obama's plan would likely get a warm reception in Congress next year, Mr. Nichols predicted. Unlike in 1992, there has been far more "plowing of the ground," he said. The debate over SCHIP has started the conversation about the need for universal coverage and at the same time a majority of Americans are worried about the affordability of health insurance, he said.

Naomi P. Senkeeto, a health policy analyst at the American College of Physicians, agreed that there are reasons to be optimistic about health reform passage this time around. This year, both candidates have recognized the need for health care reform and all of the stakeholders are at the table, she said.

Political Insiders Think Health Reform Is Likely in 2009

BY ALICIA AULT

Associate Editor, Practice Trends

SAN FRANCISCO — With a new president and a likely Democratic majority in the House and Senate, conditions will be ripe for health care reform in early 2009, a bipartisan group of political insiders predicts.

The Democrats who spoke at Institute 2008, a meeting sponsored by America's Health Insurance Plans, were most certain of impending change. One Republican said he was optimistic, and two of his colleagues hedged their bets.

"I think something's going to happen in the next Congress," said former Sen. John

Breaux (D-La.). Sen. Breaux noted that Congress is likely to be "dramatically different" next year.

Terry McAuliffe, longtime aide to former President Clinton and Sen. Hillary Clinton (D-N.Y.), pointed out that 100 seats are up for grabs in the House and Senate; he predicted that Democrats would take at least 4-7 of the Senate seats and garner a majority in both houses of Congress.

Why is this important? Traditionally, Democrats have called for bigger reforms and more government intervention, and Sen. Barack Obama (D-Ill.) is following that lead, Mr. McAuliffe said.

Despite concerns over the economy, energy prices, and taxes, "health care will be

the number one domestic issue" in the presidential campaign and in the Congress early next year because "it affects everybody," he said.

"I do think health care will be still at the top of the list of things that need to get done," agreed Sen. Breaux.

Tommy G. Thompson, who served as Health and Human Services secretary under President George W. Bush, agreed with the Democrats that health reform was likely next year. He said he was optimistic because candidates for the House and Senate and both presidential contenders were talking about reform.

He said there were many pressing issues to address, including a looming shortage of

physicians and nurses and the predicted bankruptcy of the Medicare Hospital Insurance Trust Fund in the next 5-10 years.

Former Sen. Bill Frist (R-Tenn.) agreed that the Medicare trust fund would get lawmakers' attention early in the next Congress. But he said, "I'm not quite as optimistic that we'll see reform."

Sen. Frist said he does not think health care reform will be a priority until the American people make it one. In 1993, during the last major attempt at reform, 42% of Americans said the old system needed to be scrapped; "today we're at 34%."

And, he said, the cost of adding coverage will have to be addressed, which could create some unsettling political realities.