



Note: Until we have a true universal health care plan for Colorado, the Foundation supports legislation (including a Colorado public option) that helps more Coloradans access health care affordably.

Public Option – Stepping Stone or Quicksand?

Some politicians argue that the best fix for our broken health care system is to create a nonprofit Public Option (which can take the form of an optional buy-in to Medicare). They claim that both the Affordable Care Act (ACA) and employer-based plans will be forced to lower prices in response to competitive price pressure from a Public Option plan. Some even argue that this pricing pressure may drive private insurers out of the market and eventually lead to a true single payer system.

As currently proposed, Public Option plans would coexist with employer-based private insurance. But much of what makes the current health care system so expensive is caused by market failures arising from the interaction between private insurers and providers (see fact sheet on market failure in health care). A Public Option enables this dysfunction to continue.

Public Option Concerns

Easy access to health care for everyone is not assured

Most of the proposed plans have mechanisms to expand the number insured. But enrollment, even when claimed to be “automatic,” is still a process that requires navigation. And while some proposals enhance affordability, not everyone has the available resources to pay for insurance.

Health care system complexity and costs are likely to increase

There is significant waste in our health care system as both providers and recipients must navigate a dizzying array of insurance eligibility, authorization, and billing requirements. A Public Option adds to this complexity by adding yet another alternative. The increased complexity is likely to drive overall cost of health care even higher.

Medicare and ACA plans could be destabilized

Health insurers use deductibles, targeted marketing, and pricing strategies to attract healthier enrollees. Since those obtaining insurance from their employers tend to be healthier, private insurers can offer plans to select employers that feature superior provider networks and better features. The Public Option will be forced to cover those who are less healthy, while also having to compete against private plans to attract providers.

At the same time, the Public Option may entice enrollees away from the private ACA plans. The result may be a two-tier private/public system with the less-healthy population driven to the Medicare/Public Option program; this is certain to raise costs and threaten the public option's viability.

A Public Option allows the health insurance industry to thwart meaningful reform

The Public Option/Medicare buy-in plans are largely an effort to move towards a plan that is seen as politically viable and less likely to incur the wrath of the health insurance industry. But the mere existence of the health care insurance industry means they will continue to exert political influence on health care policy legislation. Their goal is to diminish the viability and therefore the perceived effectiveness of public intervention in health care markets. This will only place more obstacles in the path towards affordable high-quality single payer universal health care.