

# The Public Plan Option on Health Care: Holy Grail or Pandora's Box?



Speaking earlier this year to a joint session of Congress, President Obama announced his goals in health reform: to reduce costs of the system while providing health insurance to the 46 million people without coverage. Discussions in recent weeks have focused on the role a government-sponsored health plan might play in achieving these goals.

Some argue a public plan would lead to government control of the health system, resulting in fewer choices and suboptimal care. Others say a public plan should be fashioned after a single payer system, based on a presumption that health care is a basic right.

Here's the debate:

|  | Point   | Counterpoint   |
|--|---|--|
| <b>We need a public plan.</b><br><br><i>It's the only way to provide the coverage needed — and it's the right thing to do.</i> | Health insurance today is unaffordable to a large and growing number of people in the United States.                              | True, but many individuals elect not to buy insurance while spending their money elsewhere. Most of the uninsured already have access to coverage, they just choose not to participate.                      |
|  | The current structure of the U.S. health care system will result in a widening gap between access to insurance and affordability. | Incentives could be aligned inside the current system to reduce that gap. The right structural changes would make insurance more accessible — and more affordable. It doesn't take a public plan to do that. |
|  | A public plan could reduce overall health costs and improve quality in the U.S. system if implemented appropriately.              | The operative word is "could." Where's the evidence that the government can create an effective program of this scale and manage it efficiently?   |

|  | Point   | Counterpoint   |
|--|---|--|
| <p><b>We don't need a public plan.</b></p> <p><i>There are better options that have fewer risks.</i></p> | The health insurance industry has a proven record of innovation with programs that reduce costs and improve population-based outcomes.  | Private health insurance is a business with investors who expect a return. Revenue growth through premium increases is essential to them.  |
|  | Instead of spending to create a risky public option, we should focus on implementing policies and incentives for using evidence based medicine. We know that works.   | Unless you associate evidence-based medicine with payment and liability reform, it won't deliver the results we need. That won't happen. There are too many interests aligned to push high, ever-increasing levels of utilization — which is the key driver of escalating costs. |
|  | The public option will have two unintended consequences. First, it will lead to a two-tiered system of care. Second, it will result in decelerating the innovation that results from competition and experimentation. | We already have a two-tiered system. And regarding innovation, R&D investments in healthcare are targeted to a global marketplace. The U.S. is important, but a public option here won't seriously undercut those investments.   |

## My take



**Paul Keckley, Ph.D., Executive Director of the Deloitte Center for Health Solutions  
Director, Deloitte Consulting LLP**

Among the most provocative challenges to the passage of health reform legislation is the public plan. But instead of debating the issue as a choice between “yes” and “no,” we should be focusing on the devil in the details. As the discussion accelerates, several guiding principles should apply:

**Watch out for revenge effects.** A big concerns lies in the area of unintended consequences. If implemented with a heavy hand, a public option could undermine the viability of private options, resulting in a bifurcation of care into two widely disparate tiers. Another risk involves the erosion of innovation. Incentives for continuous improvement must be built into any public option. This will require some big thinking outside the box.

**Focus on what works.** We already know what it takes to reduce costs. There is broad consensus that the robust practice of evidence-based medicine would result in better outcomes and significantly lower expenses. Unfortunately, many powerful interests are aligned to subvert a system that focuses on what works. An effective public plan will require political courage to back evidence-based medicine with reforms in two critical areas: payments and liability. Without those reforms, there is little reason to think the system will deliver the expected value.

**Check all guns at the door.** Emotions run high in this debate. And there are years of animosity and distrust among the players that tend to reduce the amount of listening and increase the amount of posturing at a time when collaboration is essential. We need people to put aside their differences in order to reach consensus at the table.

**Think big — and small.** There are obvious economies of scale to be derived from a public plan, but those economies come with the risk of reduced experimentation and excessive bureaucracy. Architects of any public option should work with a fractal model that allows both controls and innovation to scale up and down as necessary, depending on the specific application. A technology infrastructure that supports that model with real-time decision-making will be essential.

There is no magic answer when it comes to something as complicated and emotional as health care. Indeed, any public option will come with the exact same issues facing private insurers today. It's not just the system that warrants reconsideration, it is the practice of care itself that requires a fresh look. Until policy makers confront that hard reality, we won't make real progress in controlling costs and expanding access.

# A view from government-sponsored health programs

**Greg Scott, Leader, Government-Sponsored Health Programs, Principal, Deloitte Consulting LLP**

The debate (or in some cases, shouting match) over the public plan issue is already crowding out broad discussion of other opportunities for innovation and reform. For example, there would be significant value in broader debates on reformed models for paying and incenting physicians, the most important players in the health cost equation. Similarly, we should be considering restructured approaches to insurance market regulation that take a cold and comprehensive look at existing federal, state, and ERISA authorities. It's time to trade in today's tattered patchwork regulatory quilt in favor of a new model woven of whole cloth.

Whatever happens with regards to the role of a public plan, the strength and agility of the commercial health plan industry should not be underestimated. Health plans have demonstrated again and again their capacity for creativity and change in response to new regulatory, marketplace, and competitive constructs.

Over the past 20 years, I've had the opportunity to gain inside-the-tent insights across a wide variety of health insurers and managed care organizations. I'm confident that the best of those businesses — national or regional, public or non-profit, investor-owned or provider-sponsored — could execute the new strategies required to thrive under the vast majority of likely reform scenarios. Health plans are an underappreciated asset in our nation's health care system. The right type of health care reform could unleash the industry's vast potential — potential that is unfortunately unrealized in the poorly structured marketplace we struggle with today.

# A view from the provider practice

**Robert Williams, MD, MIS, Director, Health Care Practice, Deloitte Consulting LLP**

I spent the first 20 years of my career practicing family medicine with underserved populations. Reform was needed then, and it is needed now. Today I help health systems with performance improvement, quality and technology related services. Although there are many problems in the industry to address, access is my greatest concern.

Limited access can delay care for preventive services and chronic disease. Complications can arise from putting off treatment for diabetes, hypertension and depression. The lack of access to basic mental health services can mean the difference between being able to maintain a productive work and family caretaker role, and falling below a level of functional responsibility for self and family. The related social and economic costs are immense.

Often, the people living without access are "living on the edge." This edge is wider than many of us perceive. Our productivity as a nation is influenced by the accessibility of basic and early care. I see some kind of public plan as important to opening access.

For more information, please visit: [www.deloitte.com/us/debates/publicplanopinion](http://www.deloitte.com/us/debates/publicplanopinion).

For further information about this debate, please contact:

**Paul Keckley, Ph.D.**  
Director, Deloitte Consulting LLP  
Executive Director, Deloitte Center  
for Health Solutions  
[pkeckley@deloitte.com](mailto:pkeckley@deloitte.com)

**Greg Scott**  
Principal, Deloitte Consulting LLP  
Leader, Government-Sponsored  
Health Programs  
[grescott@deloitte.com](mailto:grescott@deloitte.com)

**Robert Williams, MD, MIS**  
Director, Deloitte Consulting LLP  
Health Care Practice  
[rbrwilliams@deloitte.com](mailto:rbrwilliams@deloitte.com)

## Related Insight:

[Comparative Effectiveness: Health Care Policy Perspectives for Consideration](#)

This study profiles comparative effectiveness systems in four developed countries and concludes that, if implemented correctly, comparative effectiveness has the potential to improve care and reduce health care costs for Americans. However, a cut-and-paste approach will not work in the U.S.

### [Health Care Reform Memo Library](#)

This weekly series highlights news from the previous week's activities in the new administration, and reviews implications for the C-suite and various stakeholder groups.

### [Administration of Change: The Obama Impact on Health Policy](#)

Health care consumers want change but will they pay the price? Visit the library of research and perspectives.

#### **Related Content:**

Library: [Deloitte Debates](#)

Services: [Consulting](#)

Overview: [Center for Health Solutions](#)

Industries: [Health Sciences](#), [U.S. Federal Government](#) and [U.S. State Government](#)

This publication contains general information only and is based on the experiences and research of Deloitte practitioners. Deloitte is not, by means of this publication, rendering business, financial, investment, or other professional advice or services. This publication is not a substitute for such professional advice or services, nor should it be used as a basis for any decision or action that may affect your business. Before making any decision or taking any action that may affect your business, you should consult a qualified professional advisor. Deloitte, its affiliates, and related entities shall not be responsible for any loss sustained by any person who relies on this publication.