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Competition is critical; a public option is not.

By Rep. Mike Coffman

Without a doubt, our nation’s health care system needs resuscitation. The question looms large, what specific reforms will breathe life back into it?

Health care reform dialogue has become centered on the current proposals’ stomach-turning price tag and the creation of a government run insurance entity, commonly referred to as the “public option.” Recently the Denver Post editorialized that inclusion of a public option is critical to successful health reform. Contrary to the editorial, a public option would not reduce health care costs, nor would it increase competition in the insurance industry.

This week the Obama Administration revised its projected budget deficit up $2 trillion dollars for the next decade to more than $9 trillion dollars. A nearly 30% increase in the projected deficit. The $1.8 trillion dollar annual deficit and projected $9 trillion national debt hang like great albatrosses around the nation's neck – choking our economy and threatening our future.

While reforming our health care system to reduce costs, improve quality of care, and increase access to care is extremely important, it is equally critical to enact reforms that will not add to the soaring deficit and federal debt.
Spending a trillion dollars to create a new government owned and run insurance entity, as the current Democrat proposals would have us do, is not the solution to reducing costs and increasing competition in the insurance industry.

Public option advocates cite Medicare as a successful example of government run health care insurance. While Medicare provides important coverage to seniors, it is far from a shining model. Rising private insurance premiums are directly attributable to low Medicare reimbursement rates and the resulting cost shifting. Even more tellingly, Medicare is almost broke.
It is heading toward a precipice and unless we change course it will plunge into complete financial insolvency.
The current proposals would partially pay for this new public option by cutting more than $500 billion from Medicare which will mean accelerating toward that precipice or rationing of care for seniors.

As the Denver Post editorialized, increasing competition to reduce health care costs among private industry is indeed a good way for the government to reform our current system. Believing the creation of a government run insurance entity designed to artificially compete with private companies will improve competition and reduce health care costs is misguided at best.

Although it is debatable whether the creation of a government run insurance entity will inevitably lead to a single payer system, it is simply naïve to think that it will not lead to the government dominating the health insurance marketplace, smothering real competition. Driving our nation trillions deeper into debt by undercutting private companies and offering artificially low prices to consumers, is not competitive and it is not an economically viable solution.

It is also untrue that a government run insurance entity would “almost certainly” spend less on administration than private insurance. The public option would not be concerned with how administrative costs impact the bottom line and there would be no incentive to improve efficiency because a government entity does not have the same fiduciary obligations and responsibilities that a business has. Talk about an unfair advantage.

Congress should act as referee and focus insurance reform efforts on leveling the playing field by improving rules to increase competition among existing players. There is nothing competitive about putting a new team on the field that doesn’t have to play by the same rules as everyone else.

The domino effect from implementing a public option would cause greater cost shifting to private insurers forcing them to make up for more below-cost reimbursements, subsequently crowding out private insurers by pricing them out of the market, and eventually stifling innovation and development - all while failing to reduce costs.

A public option would not increase competition among private insurers, though it will put them out of business. That may well be “game changing reform”, but it’s a losing strategy.