



Healthy competition?

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By Donald Cohen

When Mayor Jerry Sanders wanted to reform city government, he turned to what he believed was an effective tool of market capitalism - competition. He claimed that pitting government workers against private sector companies would generate savings for the city.

Sanders, not an ideologue, grabbed on to “managed competition” so he could privatize city jobs and show his conservative backers that he was one of them. If it resulted in turning middle class city jobs into \$12 an hour jobs without health care, that wasn’t his problem.

Now the debate about the effectiveness of public-private competition is at the center of the coming debate on health care reform in Washington.

Insurance companies, along with other vested health care interests, have successfully thwarted every serious attempt at universal health insurance since the New Deal and are taking no chances to keep a solid streak. The standard line of attack is to raise the specter of government-run health care, long lines and losing our choice of doctor. They back it up with endless repetition of ideological arguments that free, unregulated markets are the only way to meet America’s needs.

This time, the insurers are crying foul about President Obama’s plan to create a public Medicare-like insurance product that Americans could choose to purchase. In a letter to Obama, five senior senators including Mitch McConnell, R-Ky, and Charles Grassley, R-Ia, said that “forcing free market plans to compete with government-run plans would create an unlevel playing field and inevitably doom true competition.” The term “free market plan” is a clever choice of words intended to obscure that these are actually just normal private, for-profit insurance plans.

What makes this ideological about-face so remarkable is that insurers and industry-funded think tanks have been arguing for years that competition is the best mechanism to keep costs down and quality high. The message is clear: competition works, but not when it works against us!

For years, former Indianapolis Mayor Steven Goldsmith and a phalanx of conservative think tanks like the Reason Foundation and Heritage Foundation have often argued the benefits of competition between the public and private sector for taxpayers.

The libertarian Reason Foundation is an intellectual leader of a national pro-privatization policy and message machine. In their own words, “the added incentives provided by competition will lead to lower costs and higher quality services. When government competes, the taxpayer wins every time.”

Reason’s push for government to compete with the private sector to deliver services often

results in reducing costs by cutting wages and health and retirement benefits of middle class public sector workers. By contrast, public-private competition in health insurance will squeeze overhead and profits from the middlemen in the system so we can put more money into actual health care.

Since health insurance costs are rising at nearly twice the inflation rate, there couldn't be a more important time to eliminate non-essential overhead through healthy competition. Families and employers are being crushed under the burden of increased health care costs. Since the year 2000, employer-sponsored health coverage premiums have increased by 87 percent.

It's no wonder, though, that the health insurers are frantically trying to head off competing with a public plan. Private insurance overhead and profits eat up 20 percent and more of health care premiums while Medicare overhead (and no profit) is closer to three percent. There is big money to be made in health insurance. The top seven "for profit" health insurers made a combined \$12.6 billion in 2007- an increase of 170.2 percent from 2003. The same year, the average CEO compensation package for these health insurance companies was \$14.3 million. Pay packages ranged from \$3.7 million to \$25.8 million.

All of that money could have gone to paying for health care for children, cancer treatments or diabetes screening - in other words, health care.

By contrast, top Medicare administrators' salaries don't come close to these "free market" CEO salaries even though they are responsible for insuring millions more people than any of these private insurers.

In 2003, the "free market" Congress overhauled Medicare so that private insurers who enrolled the elderly were paid about 14 percent more than the government typically spent under traditional Medicare for service that was nearly the same. It was the same kind of wasteful spending as when we pushed student loans into private banks and increased the cost of a college education and the debt load of college graduates. Thankfully, Obama wants to take the banks out of the picture and provide direct government lower cost student loans.

Despite fear mongering about government run health care, seniors aren't asking for their Medicare to be taken away. Quite the contrary. People with Medicare can choose between public and private plans that contract with Medicare and an overwhelming 80 percent choose Medicare's public plan over the privately-contracted plans.

The debate about whether to offer American consumers a public insurance plan couldn't come at a better time. In the wake of deregulation disasters on Wall Street and in our food supplies, consumer products and workplaces, Americans now see the value and importance of a government role in creating vital public goods. In a recent report by the Center for American Progress on the State of American Political Ideology, 65 percent believe the federal government should guarantee affordable health coverage for all Americans. A CBS/NYT poll in January showed only 32 percent believes health insurance should be left only to the private sector.

A single-payer system makes the most financial sense if we are really committed to universal insurance. In 2009, though, public-private competition offers the way ahead for an American public that doesn't trust the free market to do it on its own and is still susceptible to insurance company anti-government campaigns.

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