

A Strong Public Option *The Community Health Insurance Option*

A strong majority of Americans believe that a strong public option is an important component of any health reform bill that keeps costs down, expands coverage, and offers American families a wide variety of affordable options. Backed by the government for the public good, not private profit, the HELP Committee's public option – called the Community Health Insurance Option – will be a strong, effective national plan that provides Americans with a real alternative to traditional, for-profit insurance.

Summary:

- **HHS-based plan:** The Community Health Insurance Option would be run by the Department of Health and Human Services. The government would pay for the first three months of claims as a way to capitalize it; this would be a loan to be repaid over time. For the first two years and longer if necessary, this strong public option would also qualify for “risk corridor protections” which offset or reclaim excessive losses and gains which could result during the start-up period (identical to those in Medicare Part D). Subsequently, its premiums would be set to make it self sufficient. This would make the public health insurance option quickly available in all areas of the country.
- **Plays by the same rules:** The public option would be one of the Gateway choices. It would follow the same rules as private plans for defining benefits, protecting consumers, and setting premiums that are fair and based on local costs.
- **Provider payments and participation:**
 - **Negotiated rates within limits:** The payment rates paid by the public option would be no more than the local average private rates – but could be less. The Secretary would negotiate these rates.
 - **Input from Advisory Councils:** Each State would create a Council of provider and consumers to recommend strategies for quality improvement and affordability. States would share in the savings that result.
 - **Purely voluntary:** Health care providers would have the choice of participating in the public option; there would be no obligation to do so.

Why It Will Make Health Care Affordable

- **Pooled purchasing power:** This public option can pool the purchasing power of its enrollees nationwide to leverage lower prices to compete with private plans. Similar negotiation power has been used by states to get drug rebates in Medicaid beyond the statutory minimum. It has been used by large businesses to drive delivery system change. This negotiation would be backed by a ceiling of paying no more than average local rates.
- **Flexibility and incentives to innovate:** Unlike administered pricing, the negotiation for payment rates gives the Secretary the ability to quickly and aggressively promote payment policies that promote quality and best practices. In addition, the State Advisory Councils would tailor delivery system reform for the public option, with a financial bonus for success.
- **Lower administrative overhead:** The public option would not need to raise premiums to support shareholder profits, extensive marketing, and extra risk reserves required by require to protect enrollees from plan insolvency or mismanagement of funds.