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POLICY-ISH

The 1st public option health plan in the U.S. struggles to gain traction

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FROM 



The Washington state government, in its second year of offering the nation's first public option health insurance plan, has learned an important lesson: If you want hospitals to participate, you're probably going to have to force them.

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With prospects dim for the U.S. to adopt a single-payer "Medicare for All" program, health care reform advocates turned instead to an insurance plan designed by the government that could compete with private insurance plans sold on the health care exchanges. The idea behind this "public option" is that it could ultimately expand health care access by making a lower-cost plan available to consumers.

But the public option plan, though backed by Presidents Biden and Barack Obama, also has gone nowhere because of political opposition in Congress.

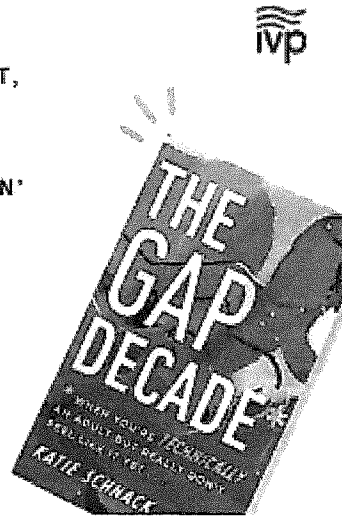
So some states have picked up the banner and are creating their own public option plans. But they, too, are facing formidable opposition from the health care establishment, which is resisting the pressure to reduce costs on the back end so that consumers can pay less.

Washington state, in its second year of offering the nation's first public option health insurance plan, has learned an important lesson: If you want hospitals to participate, you're probably going to have to force them.

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"THE GIFT OF THE GAP DECADE IS THAT IN READING IT, WE FIND WE WEREN'T ALONE IN THAT FEELING AND THOSE 'IN BETWEEN' YEARS WERE MORE IMPORTANT THAN WE REALIZED AT THE TIME."

-LAUREN CASPER, AUTHOR OF "LOVING WELL IN A BROKEN WORLD"



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The Washington public option is more of a public-private partnership: The plan was designed by the state but is offered by private insurance companies. Anyone buying their own policy on the state's health insurance marketplace can sign up for a public option plan and, depending on their income, may receive significant subsidies from the federal government to lower its cost.

But two years in, the plans are available in only 25 of the state's 39 counties, enrollment numbers have been underwhelming, and state leaders blame hospitals.

"The plans had a hard time getting networks put together because the hospitals wouldn't play," said state Rep. Eileen Cody, the Washington

legislator who introduced the public option bill in 2019. "They're a big part of the problem."

Officials from the Washington State Hospital Association said that more hospitals than not are voluntarily participating in public option plans. But, they noted, the public option relies on cutting payments to hospitals to control costs and ties reimbursement to Medicare rates, which don't cover hospitals' cost of providing care.

"If patients opt to join a public option plan rather than private insurance, over time it could create financial challenges, especially for small, rural providers operating on thin margins," said Chelene Whiteaker, senior vice president of government affairs for the hospital group.

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Washington state legislators last year voted to mandate that hospitals contract with a public option plan. Public option plans weren't available in each county in 2022. That mandate will go into effect for 2023.

Other states are watching Washington's public option struggles

Other states looking at a public option are learning from Washington's challenges. Colorado and Nevada, which are implementing public option plans in 2023 and 2026, respectively, have already incorporated ways of forcing hospitals to participate. And other states considering a public option — including Connecticut, Oregon, New Jersey and New Mexico — are likely to follow suit.

"One thing that the states have learned is you cannot make it optional for hospitals to participate," said Erin Fuse Brown, director of the Center for Law, Health & Society at Georgia State College of Law. "Otherwise, there's just no way for the public option to have a chance. It will never build a sufficient network."

Washington's public option was designed to save consumers money primarily by lowering what hospitals and doctors get paid, capping aggregate payments at 160% of what Medicare would pay for those services. By comparison, health plans had been paying providers an

average of 174% of Medicare rates.

Public option plans are available to anyone and come in the same gold, silver, and bronze tiers as private plans on the health insurance exchange. Proponents estimated the cap would result in public option plans having premiums 5% to 10% lower than traditional plans on the exchange. But public option premiums were, on average, 11% higher than the lowest silver plan premium available in each county on the marketplace in 2021, and a silver public option plan had the lowest premium in just nine counties. Silver plans cover, on average, about 70% of health care costs.



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Only 1% of people buying plans on the exchange chose public option plans in 2021. Public option premiums for 2022 came in at about 5% lower than public option premiums in 2021. This year's enrollment numbers have not been finalized — the state is waiting to see how many of the people who signed up complete the process by paying their premiums.

"We know premiums are what drive decision-making in terms of enrollment," said Liz Hagan, director of policy solutions for United States of Care, a nonprofit that advocates for improving health care

access. "People often don't look at anything other than the premium. They rarely look at the out-of-pocket costs."

But exchange officials say that savvy consumers are finding that the public option plans are less expensive in the long run. Compared with traditional exchange plans, they have lower deductibles and provide more services not subject to the deductible.

"Premium is still king," said Michael Marchand, chief marketing officer for the Washington Health Benefit Exchange. "But we have a lot of people who have gotten a lot smarter about how they're pricing out something."

Marchand also said it may take a few years for a new product like the public option plan to gain traction in the marketplace. Insurance companies may have priced their plans a little high in the first year, not knowing what to expect. Now, with a year under their belt, they have lowered premiums somewhat.

Limited choices for cutting costs

Washington's stumble out of the gate reflects the difficulty of lowering health care costs while working within the current system. Legislators originally wanted to cut payment rates to hospitals and other providers much more, but they raised the cap in the legislation so hospitals wouldn't oppose the bill. Now, it's unclear whether the payment cap is low enough to reduce premiums.

"That's kind of the big trade-off," said Aditi Sen, a health economist with the Johns Hopkins Bloomberg School of Public Health. "You are trying to lower premiums enough that people will enroll but not so much that providers won't participate."

That will be a challenge for any state or federal public option plan. There are only so many ways to lower premiums. Hospitals, doctors and other health care professionals have pushed back hard against any cuts in their payment rates, while insurance plans balk at plans that could eat into their profits.

Plans can reduce the size of their provider network to save money, but consumers dislike plans that limit which doctor they can see. Public option plans could rely on existing public health programs, like Medicare and Medicaid, which already pay lower rates than commercial insurance, but government-run insurance plans carry negative connotations for many consumers.

Sen and her colleagues found that in 2021, Washington counties with public option plans were primarily in areas where hospital and physician payment rates were lower than those in other parts of the state. That may have helped insurers build out networks and still stay under the 160% provider payment cap.

Five of the 12 private insurers that sell plans on the exchange offer public option plans.

Insurance companies that had previously offered plans in Washington were able to cobble together networks based on existing contracts with hospitals and physician groups. But two carriers new to the Washington exchange had to start from scratch and negotiate prices with providers for their public option plans. Some of the insurance companies tried to offer public option plans in other counties but could not persuade hospitals, particularly those in larger hospital systems, to accept their rates.

Washington saw enrollment in public option plans start to climb during a special enrollment period launched in mid-2021 because of the COVID-19 pandemic. The American Rescue Plan Act also provided more subsidies, which made all plans on the exchange more affordable. But those subsidies are due to expire at the end of the year unless Congress votes to extend them. An extension is included in the Biden administration's Build Back Better legislation, but the legislation has stalled in Congress.

Washington legislators approved other moves to make the public option more affordable. They set aside \$50 million in state subsidies, but officials must still determine how to allocate those funds. And lawmakers authorized the state to pursue a waiver with the federal government that could allow the state to keep more of the savings achieved through premium reductions. Currently, lower premiums also mean lower subsidies from the federal government. The state

can request those savings be passed through to consumers.

Washington did not pursue such a waiver before implementing its public option plan, but many believe the Biden administration might be more amenable to such a request than the Trump administration was.

State progress on public option plans comes amid disappointment among many progressives that Congress did not implement a federal public option under the Affordable Care Act to compete with private plans on the marketplaces.

Washington state officials realize that because they were the first to implement a public option, other states will be watching them closely to see how it all plays out. "We're not the only ones, but we're the furthest along," Cody said. "Other people can learn from our mistakes."

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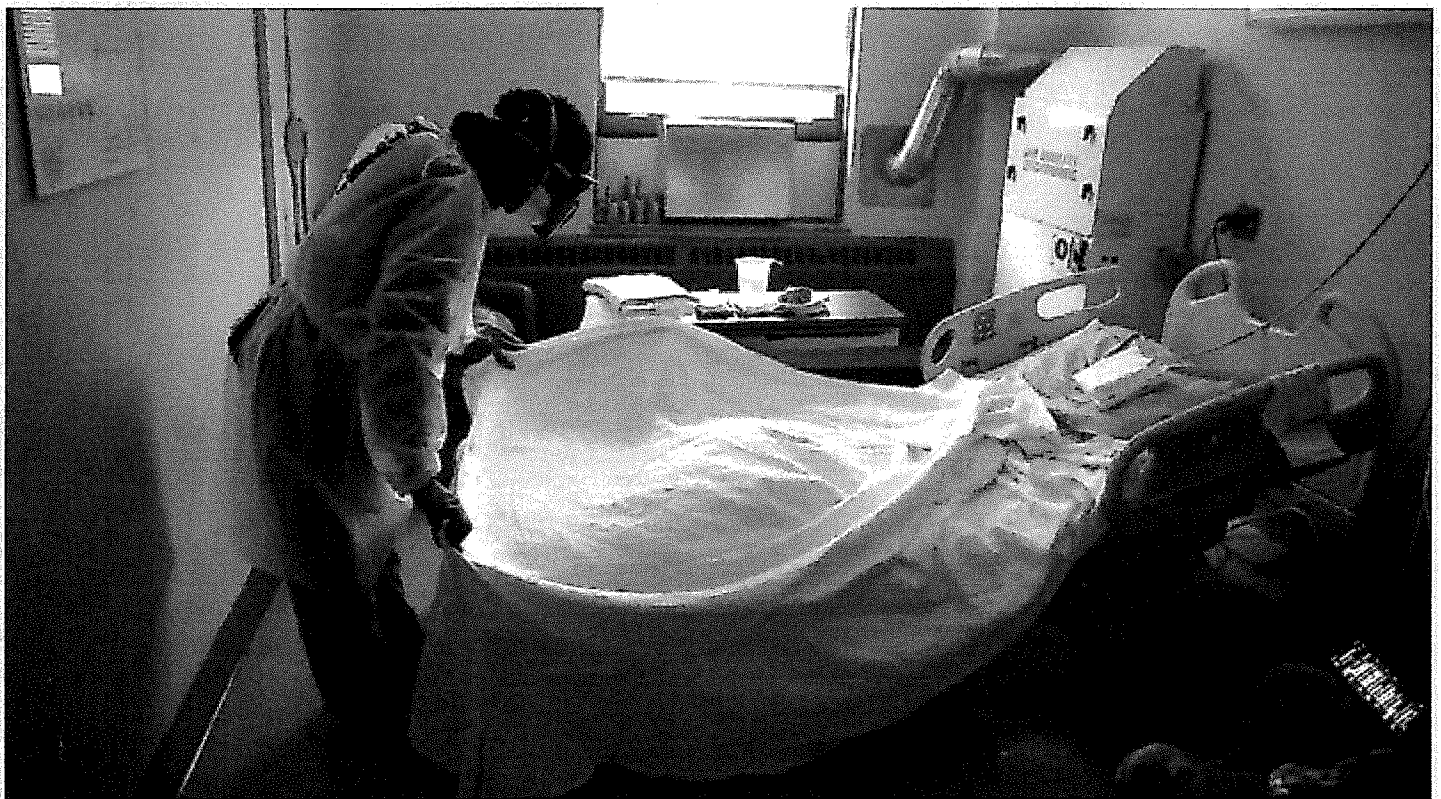
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