



Written by [Thomas R. Eddlem](#) on August 17, 2009

Obama May Drop “Public Option,” Keep Regulation

President Obama’s HHS Secretary Kathleen Sebelius let out a significant trial balloon on CNN’s State of the Union, indicating that the Obama administration may drop the “public option” proposal from its healthcare “reform” package.

The so-called “public option” would be a government bureaucracy that would pay for healthcare coverage in competition with private insurance companies, but the Obama administration has indicated a willingness instead to allow creation of a non-profit “government sponsored enterprise” (GSE) along the lines of Fannie Mae and Freddie Mac for healthcare.



Sebelius [told CNN’s State of the Union](#) program on August 16 discussing the “public option” that “I think what’s important is choice and competition. And I’m convinced at the end of the day, the plan will have both of those. But that is not the essential element.” Sebelius [told CNN](#) that the administration would still impose a much heavier and more costly regulatory burden upon private insurance companies even if it dropped the “public plan” from legislative proposals. “What we don’t know is exactly what the Senate Finance Committee is likely to come up. They’ve been more focused on a co-op, not-for-profit co-op as a competitor as opposed to a straight government-run program.”

President Obama has promoted the idea of a “public option” that would not be subsidized by the federal government and [based upon the efficiency model of the U.S. Post Office](#), but many Republicans and moderate Democrats have argued that the federal government cannot create a level playing field for a “public option.” They have argued that the federal government’s healthcare plan would likely either be subsidized, like Medicare, or contain regulatory advantages as the U.S. Postal Service did for more than a century. The result would be to drive what remains of the private sector from the healthcare market.

The Obama administration remains in favor of creating a new government-run healthcare program under the “public option” idea, and the purpose of Sebelius’ statement may end up being nothing more than a triangulation political strategy to energize the moribund political left on the healthcare issue. The practical effect of moving from a “public option” to a GSE co-op would not change the fact that Obama’s healthcare proposal would put the government in the business of running the healthcare industry’s day-to-day decisions, increasing the costs of healthcare for most Americans.

None of the three legislative proposals working their way through Congress right now have any provisions that would cut the cost of healthcare insurance for most Americans, though a number of the new regulatory measures proposed by President Obama would certainly increase healthcare costs for most Americans. President Obama proposed the following mandates upon insurance companies at [his town hall meeting in New Hampshire last week](#):

Under the reform we’re proposing, insurance companies will be prohibited from denying coverage



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because of a person's medical history. Period. They will not be able to drop your coverage if you get sick. They will not be able to water down your coverage when you need it. Your health insurance should be there for you when it counts — not just when you're paying premiums, but when you actually get sick. And it will be when we pass this plan. Now, when we pass health insurance reform, insurance companies will no longer be able to place some arbitrary cap on the amount of coverage you can receive in a given year or a lifetime. And we will place a limit on how much you can be charged for out-of-pocket expenses, because no one in America should go broke because they get sick. And finally — this is important — we will require insurance companies to cover routine checkups and preventive care, like mammograms and colonoscopies — because there's no reason we shouldn't be catching diseases like breast cancer and prostate cancer on the front end.

The above applause lines from President Obama's "town hall" meetings undoubtedly sound like great ideas ... until the customers insured under those regulations get the bill.



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