



## Hair-Trigger Government Takeover of Health Care

Recently, the idea of establishing a “trigger” for a government plan has been floated as a way forward in health care reform. The trigger would implement a fallback government-run plan in a state if certain conditions were met. A closer look at the outlines<sup>[i]</sup> of the trigger proposal show that it would quickly lead to a government plan in most states. In fact, it is likely many states would trigger the new government-run plan even before other reforms were given a chance to succeed. While supporters say that the trigger proposal is modeled after the fallback plan in the Part D Medicare Prescription Drug Benefit, there are key differences. Most importantly, the Medicare Modernization Act (MMA) specifically prohibited a national government-run plan. Below are some important considerations to keep in mind about the trigger.

**The Part D trigger was meant to ensure that there would be competition among providers in a new marketplace:** The Part D drug benefit created an entirely new marketplace that did not exist before the law was enacted. The trigger was put in place because neither Republicans nor Democrats knew if private businesses would in fact enter the market to compete. The marketplace thrived, and there are now more than 1,800 stand-alone Part D plans available. As a result, the requirements for a fallback plan have never been met. In contrast to a new Part D marketplace, we already know there is a market of more than 1,300 health insurers across the nation.

**The Part D legislation specifically prohibited a national government-run plan:** The language in the MMA specifically says that the fallback plan had to be a “nongovernmental entity.”<sup>[ii]</sup> The language also clearly says that there can be “no national fallback plan.”<sup>[iii]</sup> The Part D legislation therefore specifically prohibits the type of national government-run plan that supporters envision for health care.

**The trigger is rigged to shoot:** As *Roll Call* reported, “If lawmakers agree to embrace the public option as a backstop, liberals want it to be a hair-trigger, more likely to be pulled than not.”<sup>[iv]</sup> Because it would be activated if most of the population in a state does not have access to what the government decides is “affordable” insurance, the trigger is especially likely to be pulled in high-cost states. The definition of “affordable” is obviously nebulous and open to manipulation by those who want to see the trigger requirements met. Instead of creating a government plan, the goal should be to find effective ways to lower health care costs in these states.

**The design of the trigger anticipates significant government control over insurers:** Reports on the design of the trigger have said that the government will make the determination on whether the trigger is pulled as far as a year before the insurance reforms actually go into effect. *The New Republic* reported that, “The idea is that private insurance companies would have to release their pricing and bids well in advance, so we wouldn’t have to wait and see if the system fails to make coverage more affordable.”<sup>[v]</sup> A requirement that insurers submit “bids” to the government shows that the government would be taking a huge regulatory role in any new marketplace.

**New taxes will increase health insurance costs and ensure the trigger is pulled:** The Baucus proposal calls for \$45 billion in new taxes on insurers, which will be passed on in the form of higher premiums. Adding these new taxes will make health insurance less affordable, thereby making it more

likely that the trigger will be pulled. This also creates a perverse incentive whereby politicians could favor higher taxes on insurers just to push people into a government plan.

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<sup>[i]</sup> *The New Republic* published a piece recently on the outlines of the current discussion of a trigger. The trigger would set a standard of “affordability” to determine whether people had reasonably priced access to health insurance. The government would determine, on a state-by-state basis, whether 95 percent (or so) of people had access to “affordable” coverage. If they did not, then the trigger for a government plan would be pulled. The fallback option “would essentially be the same government plan wherever it was implemented.” Importantly, the trigger would be pulled even before insurance reforms go into effect. The intent would be to have private insurers release their pricing and bids well in advance and the government would make its determination based on this data. In this way, it could meet the goal of having a government plan that is “available on day one.” *The New Republic*, The Treatment, “What Would Snowe’s Trigger Look Like?,” Sept. 8, 2009

<sup>[ii]</sup> “PDP sponsor means a nongovernmental entity that is certified under this part as meeting the requirements and standards of this part that apply to entities that offer prescription drug plans. This includes fallback entities.” Medicare Prescription Drug Benefit Final Rule. Available at: <http://edocket.access.gpo.gov/2005/pdf/05-1321.pdf>

<sup>[iii]</sup> “NO NATIONAL FALLBACK PLAN.—The Secretary shall not enter into a contract with a single fallback entity for the offering of fallback plans throughout the United States.” P.L. 108-173, Dec. 8, 2003. Available at: <http://www.gpo.gov/fdsys/pkg/PLAW-108publ173/pdf/PLAW-108publ173.pdf>

<sup>[iv]</sup> *Roll Call*, “Key Liberals Willing To Bargain,” Sept. 8, 2009

<sup>[v]</sup> *The New Republic*, The Treatment, “What Would Snowe’s Trigger Look Like?,” Sept. 8, 2009