

Florida Health Insurance Report: Obama Demands Public Health Care Option

Today's [Health Insurance](#) Topic: **President's Health Insurance Plan**

President Barack Obama squared off with [the insurance lobby](#) over industry charges that [a government health plan](#) he backs would dismantle the employer coverage Americans have relied on for a half-century and overtake the system.

The harsh exchange came after months of polite White House photo-ops at which the administration and insurers emphasized their search for common ground. It happened just when Congress seems to be floundering in its attempt to move sweeping legislation embodying Obama's top domestic priority, although leading lawmakers say they remain confident.

"If private insurers say that the marketplace provides the best quality health care ... then why is it that the government, which they say can't run anything, suddenly is going to drive them out of business?" [Obama said](#) in response to a question at a White House news conference.

"That's not logical," he scoffed, responding to an industry warning that [government competition](#) would destabilize the employer system that now covers more than 160 million people.

At issue is whether to set up a [government-sponsored](#) health insurance plan that would compete with private companies. Individuals and small businesses would get to pick either the public plan or a private one through a new kind of [insurance purchasing pool](#) called an exchange. Eventually, the exchanges could be opened to large companies as well.

"The public plan, I think, is an important tool to discipline insurance companies," Obama said. That's not what the industry thinks. In a letter to senators released Tuesday, the two largest industry groups warned in stark terms that [a government plan](#) would take over the system.

America's Health Insurance Plans and the [Blue Cross Blue Shield](#) Association also said they don't believe it's possible to design a government plan that can compete fairly with private companies in a revamped health care market. That particular statement seemed to be aimed at lawmakers of both parties who continue to seek a compromise on the contentious issue.

INSURANCE COMPANIES SAY: *"We do not believe that it is possible to create a government plan that could operate on a level playing field,"* an insurers' letter, signed by AHIP head Karen Ignagni and Scott Serota, the Blue Cross CEO. They continued: *"Regardless of how it is initially structured, a government plan would use its built-in advantages to [take over the health insurance market.](#)"*

Read more:

OBAMA – PUBLIC PLAN CONTINUES

The industry suggested a government plan would run counter to Obama's [promise](#) that Americans can keep the coverage they have.

"A government-run plan no matter how it is initially structured would dismantle [employer-based coverage](#), significantly increase costs for those who remain in private coverage, and add additional liabilities to the federal budget," said the letter.

Nonetheless, recent media polls have found strong public support for the idea. That has emboldened liberals, who are arguing that Democrats shouldn't compromise on a government plan. But [moderate Democrats](#) in the Senate are trying to get Republican support for [nonprofit co-ops](#) as an alternative.

Without a compromise, there's probably no chance of significant Republican backing for Obama's plan to slow increases in health care costs and expand coverage to the nearly 50 million uninsured.

Obama said he understood the legitimate concerns of insurers that private plans wouldn't be able to compete with "the government just printing money." The proposals lawmakers are debating would provide government money for start-up costs, but then require the government plan to be [financed through premiums](#).

Insurers say the government can protect consumers through stiffer regulation.

"If we have comprehensive reform of market rules, then it would not be necessary to have any form of public plan, including co-ops," said [Robert Zirkelbach](#), a spokesman for the industry.

On Capitol Hill, House Democrats pushed forward with a partisan health care bill. Meanwhile, key Senate Democrats were still laboring to achieve an elusive bipartisan compromise.

Finance Committee Chairman [Max Baucus](#), D-Mont., said senators are getting closer to their goal of holding the cost of the legislation to \$1 trillion over 10 years. Although that's a huge sum, it would represent about 3 percent of the \$35 trillion the United States is already expected to spend on health care over the same period.

"We're a lot closer," said Baucus after a meeting with a small group of senators from both parties that has been dubbed *"the coalition of the willing."* *"We'll make it."*

Of the five House and Senate committees working on health care, Finance is the only one that appears to have a chance at a bipartisan agreement.