

# **Health Care Reform – Obama and the Oligarchs**

**By Sydney Small**

*Abstract:* The current controversy over health care is focused on the questions concerning the right to health care, access, fairness, sustainability and quality obtained by the high expenditures. The necessity for answers to these fundamental questions has been augmented by the recent and ongoing global recession. Fortunately, this offers an opportunity for the government to crack down on insurance companies, because the companies have incentives to comply due to the recession and the increasing themes of governmental regulation. The nation can effectively reduce health care costs and extend the option of health insurance in a number of ways. Sustainable interventions will improve the nation's quality of health and provide true cost reductions. Rationing health care may be the final option to cut costs to required levels.

There is an inherent contradiction between medicine and health care being considered a natural right and public good, and the industry being mainly a privatized, and for-profit industry. In the situation regarding health care, the oligarchs can comparatively be seen as mainly the for-profit insurance companies and lobbying groups. In the past these organizations have effectively, with conservative support, blocked meaningful health care reform.

The public-private health care system in the United States is the most costly in the world. It also ranks comparably lowly in reference to other developed nations. Two paragons in the United States are useful for comparative purposes. These include the health systems of the states of Massachusetts and Oregon. Historically, the United States has been unsuccessful in reforming health care due to partisanship and lobbying from the health industry.

The current governmental administration headed by Barack Obama has surpassed and cast away many historical stereotypes, but it remains to be seen whether Obama will stand up to the so-called oligarchs and ensure that that promises he has made throughout his campaign and administration, and the ideals that he stands for, are upheld. The nation's long-term economic growth and future, as well as the government's fiscal health depend on reform in the health care system. However, to this date, many of the most divisive questions have not been answered, including the public insurance plan supported as an option to compete with private coverage.

## **Health Care Reform – Obama and the Oligarchs**

### *Obama's plan and the current debate*

Health care reform is an outline for the alteration or creation of health policies. It generally attempts to: increase the segment of the population receiving coverage through private or public sector insurance, expand the number to options for consumers in the field, improve the quality and cut down the costs of health care. The current controversy over health care is focused on the questions concerning the right to health care, access, fairness, sustainability and quality obtained by the high expenditures. The necessity for answers to these fundamental questions has been augmented by the recent and ongoing global recession. The movement to expand health care coverage is constricted by the need to finally reduce raging costs in the system. Fortunately,

this offers an opportunity for the government to crack down on insurance companies, because the companies have incentives to comply due to the recession and the increasing themes of governmental regulation. The issue then becomes focused on the level of their “compliance” and the administration’s investment in achieving its professed objectives. On the other hand, party line divisions are paramount, and historically, the United States has been relatively unsuccessful at attaining true reform.

Reform proposals specifically center on: restructuring the private health insurance system, offering a public health insurance option to supplement consumer choices and compete with private insurers, providing premium subsidies to assist individuals, mandating universal health insurance, rationing health care, increasing the number of cost-saving interventions such as electronic health records (which in practice, have been moderately unsuccessful as of yet in attaining true cost reductions), reforming payment systems to encourage efficiency and allowing the renegotiation of drug prices by the Department of Health and Human Services and increasing overall regulation. Overall health systems must perform a few necessary functions including the financing of health care, the pooling of individual risks, the purchasing of health care, the production of health care and the regulation of the system.

Barack Obama has stated in his campaign, and in office, his priorities for health care reform. His policies state, “Making sure every American has access to high quality health care is one of the most important challenges of our time. The number of uninsured Americans is growing, premiums are skyrocketing, and more people are being denied coverage every day. A moral imperative by any measure, a better system is also essential to rebuilding our economy -- we want to make health insurance work for people and businesses, not just insurance and drug companies.”<sup>1</sup> He details a few policy solutions. The first involves reforming the health care system through expanded coverage, advanced quality, lower costs, expanded consumer choices, and accountability for insurance companies. The second centers on promoting scientific and technological advances. Lastly, he states that preventative care must be improved. Cancer screenings and better nutrition, investments in electronic health records and other technology to reduce errors fall under this category.<sup>2</sup>

More specifically, Obama’s overarching plan seeks to provide a public health insurance option to compete directly with private insurance opportunities and expand consumer choices. It establishes a National Health Insurance Exchange and a public insurance program available to Americans who do not qualify for Medicaid or State Children’s Health Insurance Program (SCHIP) and do not have available employer-provided insurance. Eligibility will also be expanded for Medicaid and SCHIP programs. The insurance pool or new exchange, will allow citizens to purchase private health insurance directly. The plans must be as generous as the new public plan, and standards for efficiency and quality will match the public plan. The only mandate for health insurance will be that all children have health coverage. All employers are required to contribute to health coverage for employees or towards the cost of the public plan except for a select number of small employers. Insurers will be required to enumerate and pay out a share of their premiums for patient care. Federal subsidies based on income will assist individuals in purchasing a share of a private or public plan, depending on individual choice. Tax credits will be provided to small businesses that pay premiums. Tax credits will be provided to all individuals that require funding for their premiums. Health quality will be improved in the

---

<sup>1</sup> <http://www.barackobama.com/issues/healthcare/>

<sup>2</sup> *ibid*

following ways: providers will be required to report preventable medical mistakes; best practices will be disseminated; and hospitals and health plans will be required to collect and report health care quality for disparity populations. With regard to information and technology, \$10 billion will be invested annually over a period of five years to promote electronic health information systems. Preventative care will be supported by the following measures: coverage of preventive care in federally supported health plans; an expansion of community based preventative interventions, rewards for worksite interventions and increased funding for school-based health programs. Transparency will be augmented through requirements that health care providers report measures of health care cost and quality. Health plans will also be required to disclose the percentage of premiums that pay for patient care, as opposed to administrative costs. Efforts to improve medical personnel education are also included in the plan. The estimated cost of the program is about \$50-65 billion a year. Cost reductions would be obtained through: promotion of disease management; improvement of patient safety; reforms regarding transparency and medical malpractice; increased competition through insurer paid premiums to the insurance exchange; drug re-importation and use of generics; and preventing waste and abuse.<sup>3</sup>

### *Simple and practical steps*

The nation can effectively reduce health care costs and extend the option of health insurance in a number of ways. Increasing the number of insured individuals will save funds overall due to a decreased and so-called “run on emergency rooms.” Additionally, sustainable interventions will improve the nation’s quality of health and provide true cost reductions. Sustainability is a necessity in the system. Rationing health care may be the final option to cut costs to required levels.

Sustainable interventions are beneficial. For instance, common chronic conditions (such as coronary artery disease, diabetes, congestive heart failure, asthma, and depression) are responsible for 75 percent of our health care spending. Early intervention and consistent follow-up care will effectively reduce spending on these illnesses. If 1% of the population with these conditions were treated, more than \$77 billion can be saved.<sup>4</sup> On another front, medical errors result in the deaths of about 100,000 individuals annually, according to the Institute of Medicine. The president of the Mayo Clinic, Denis Cortese, has compared this situation to “a 747 crashing every other day.” The airline industry would, in all probability, investigate the situation accurately and provide reforms. This is necessary in health care as well. Reform in this area to reduce mistakes, of which more than half are preventable, will save the United States as much as \$29 billion each year.

Members of Congress have choices represented by 250 affordable health insurance plans with retirement options. Premiums remain equal for everyone regardless of age or other risk factors in each plan. The Federal Employees Health Benefits Program (FEHBP) has championed stable prices for many years with costs rising less than private plans and Medicare. There are no “fees for services” that providers receive. One price is negotiated for a group of benefits. Other reforms in the market for health insurance will provide ways to save on costs. Cost and privacy issues, as well as a lack of compatible infrastructure have plagued the implementation of

---

<sup>3</sup> Obama Campaign Plan for a Healthy America, <<http://copyrights.org/plan.php?plan=1>>.

<sup>4</sup> “Eighteen Big Ideas to Fix Health Care Now.” <http://www.rd.com/living-healthy/18-ideas-to-reform-health-care-now/article101364.html>.

innovational ideas, such as using electronic health records and online prescription services. Fewer than 25% of hospitals and 15% of doctors utilize these systems.<sup>5</sup> A current working model is the VistA system. It has been keeping electronic health records for seven million veterans since 1996. If participation increased by adding 90% of hospitals and doctors, \$80 billion could be saved annually.<sup>6</sup> Lastly, a focus on prevention and primary care will save costs and improve health. Primary care physicians are gradually leaving the field and less are entering due to increasing office costs, stringent insurance company policies, low Medicare payments, and large amounts of medical school debt. Higher costs will result because more citizens will run to costly emergency rooms for common problems. Three reforms will alleviate the problem: forgiving medical school loans, digitizing medical records, and adjusting the manner with which Congress influences Medicare payments, which in turn determines the amount health insurance companies give doctors.

### *Oligarchs in the field*

There is an inherent contradiction between medicine and health care being considered a natural right and public good, and the industry being mainly a privatized, and for-profit industry. This is one of the major problems, utilizing private industries for public benefit, in political economics, and one that is especially relevant today. When such a situation arises, the government is the only institution positioned to create legislation and regulation to ensure that resources are allocated efficiently and effectively, that is, to allow the market to work fairly and correctly. Simon Johnson makes the argument, in *The Quiet Coup*, that a financial oligarchy is blocking significant reform in the United States and that this provides stark similarities to emerging market crises.<sup>7</sup> In the situation regarding health care, the oligarchs can comparatively be seen as mainly the for-profit insurance companies and lobbying groups. The argument fits perfectly, for in the past these organizations have effectively, with conservative support, blocked meaningful health care reform.

Insurance companies have extremely high margins and annual increases in premiums. This is not sustainable and it is unacceptable. On May 11, representatives of doctors, hospitals, drug makers and insurance companies arrived in Washington to voluntarily propose \$2 trillion in cost reductions over 10 years. The motives of these companies are slightly opaque. Their initiative now gives them an opportunity to play a part in forming decisions that will affect their future. They have effectively ingratiated themselves with the Democrats spearheading the reform proposals.<sup>8</sup> Originally, the government was under the impression that these insurance companies promised to cut costs by 1.5% annually.<sup>9</sup> The health care industry said they did not specify yearly cuts, and simply proposed gradual reductions. The commitments of the industry are currently vague and non-enforceable. They promise to reduce the “overuse and underuse of health care.” The savings are not guaranteed, and therefore the Congressional Budget Office cannot certify them to allow Democrats to begin using the funds to pay for the coverage of those

---

<sup>5</sup> *ibid*

<sup>6</sup> “Eighteen Big Ideas to Fix Health Care Now.” <http://www.rd.com/living-healthy/18-ideas-to-reform-health-care-now/article101364.html>.

<sup>7</sup> Johnson, Simon. *The Quiet Coup*. The Atlantic Online. May 2009.

<sup>8</sup> Pear, Robert. Health Care Reform News. The New York Times. May 27, 2009.

<sup>9</sup> Pear, Robert. Health Care Leaders Say Obama Overstated Their Promise to Control Costs. The New York Times. May 15, 2009.

who are uninsured. A novel study by Leemore S. Dafny, an economist at Northwestern University, found that increasingly, only a select few insurance companies control a number of geographic markets. The decline in competition forces prices to rise. Jamie Court, the president of Consumer Watchdog, said, “When companies that control the health care system get together to change it, there is a serious risk that they are doing it to stifle competition at the expense of consumers.”<sup>10</sup>

Drug companies and other medical providers also fit in with the “oligarchs” blocking reform from Washington. Drug companies spend up to \$800 million to research drug development and attain approval. They normally receive a patent and exclusive selling rights for about two decades. Prices have risen some 500% since 1990, and many individuals cannot afford prescriptions. These drug companies can effectively be seen as monopolies. Obviously, companies need an incentive to overcome huge research and development costs; however, the contradiction present in health economies comes up again. Economists have created proposals to sponsor government-funded prizes for breakthrough medicines. Rights to market the drug would be extended to generic firms that churn out pills for 80% less.

Lobbying groups that represent these industries have historically played a very large role in obstructing the reform movement. With the near completion of legislation developed in Washington, five Congressional committees hope to approve the legislation next month; lobbying groups are increasing their advertisements against a public health option and expected congressional legislation. Interest groups have been dishing out hundreds of thousands of dollars on television and radio segments attacking legislation.<sup>11</sup> Other interest groups have supported legislation, such as Health Care for America Now, and have run advertisements stating that Congress must extend coverage to all individuals and create a public insurance plan to compete with private insurance companies. Lobbying groups opposing the public option include Americans for Prosperity Foundation and Conservatives for Patients’ Rights. They reject more involvement of the federal government in health care and declare that Democratic proposals would limit access to care, medical services, and prescriptions.<sup>12</sup> The opposing groups have run mirror advertisements. Health Care for America Now advertisements feature Valerie Arkoosh, an anesthesiologist in Philadelphia, who states that the government must formulate “a new public health insurance plan, with good benefits, at a price you can afford, so we’re no longer at the mercy of insurance companies.”<sup>13</sup>

### *Comparative relationships*

The public-private health care system in the United States is the most costly in the world. It also ranks comparably lowly in reference to other developed nations. Health care costs more per person than any other nation and the greatest percentage of gross domestic product (GDP) is spent on health care than any other United Nations member state except for the Marshall

---

<sup>10</sup> Pear, Robert. Antitrust Laws a Hurdle to Health Care Overhaul. The New York Times. May 26, 2009.

<sup>11</sup> Robert Pear, Warring Sides on Health Care Carry Their Fight to TV and Radio Ads , 27 May 2009, <[http://www.nytimes.com/2009/05/28/health/policy/28health.html?\\_r=1&scp=4&sq=health%20care&st=cse](http://www.nytimes.com/2009/05/28/health/policy/28health.html?_r=1&scp=4&sq=health%20care&st=cse)>

<sup>12</sup> *ibid*

<sup>13</sup> Robert Pear, Warring Sides on Health Care Carry Their Fight to TV and Radio Ads , 27 May 2009, <[http://www.nytimes.com/2009/05/28/health/policy/28health.html?\\_r=1&scp=4&sq=health%20care&st=cse](http://www.nytimes.com/2009/05/28/health/policy/28health.html?_r=1&scp=4&sq=health%20care&st=cse)>

Islands.<sup>14</sup> The United States also happens to be the only wealthy and industrialized nation without a universal health care system.<sup>15</sup> The United States ranks dead last in the quality of health care among developed nations.<sup>16</sup> In 2000, the World Health Organization (WHO) labeled the United States' health care system 37<sup>th</sup> with regard to overall performance, and 72<sup>nd</sup> by overall level of health.<sup>17</sup>

The Netherlands, Germany and Switzerland do not use government run insurance plans. They utilize only private, nonprofit or for-profit insurers that are restricted by regulation. These countries do it at lower costs than the United States; costs in Germany and the Netherlands are less than half of the costs in the United States. Each of these nations mandate universal health insurance coverage. Many individuals oppose such a requirement as an "infringement" on personal rights, despite that they believe they can receive expensive and critical care. The countries mentioned here attempt to shape contributions by individuals to the financing of care by their respective abilities to pay. In Germany, statutory health insurance covering 90% of the population is financed by an income tax. Unemployment insurance pays premiums for unemployed individuals and children receive coverage from general government revenues. In Germany, the premiums are pooled in a government-run central fund that performs the risk-pooling function for the system. Many of these nations delegate the purchasing function to competing and private insurance companies.

Two paragons in the United States are useful for comparative purposes. These include the health systems of the states of Massachusetts and Oregon. In 2006, Massachusetts began one of the audacious health care reforms in the history of the nation by enacting measures to promote universal health-care coverage for residents. The system has experienced a few issues since then. Enrollment in the newly subsidized insurance program, which has now declined, and a painful economic contraction have brought economic challenges to the forefront of state and national politics.<sup>18</sup> The framework will prove to be unsustainable over the next half-a-decade if health spending costs are not drastically reduced.<sup>19</sup> Certain beneficial things have occurred. Massachusetts is leading the way towards altering the payment system in helpful ways. Payment methods that reward prevention and control of chronic disease instead of the contemporary system, which rewards according to the quality of care provided, will cut costs as the manner in which private insurers reimburse hospitals and doctors is overhauled. Blue Cross and Blue Shield of Massachusetts created a model where physicians receive a flat fee for each patient with adjustments for age, gender and health status with bonus payments for high care standards. Legislation has improved coverage. High coverage rates have been reached by requirements that health insurance be extended to every resident and mandates that state that all businesses, except the smallest, make a contribution toward employee insurance. Those who do not acquire insurance when they are able to may be fined \$1,068 dollars in taxes.<sup>20</sup> The state subsidizes premiums for those earning up to three times the federal poverty level, or \$66,150 for family of

---

<sup>14</sup> "Health Systems Resources." World Health Statistics 2008: Global Health Indicators. World Health Organization. 2008. [http://www.who.int/whosis/whostat/EN\\_WHS08\\_Table4\\_HSR.pdf](http://www.who.int/whosis/whostat/EN_WHS08_Table4_HSR.pdf).

<sup>15</sup> Insuring America's Health: Principles and Recommendations. Institute of Medicine at the National Academies of Science, 2004.

<sup>16</sup> "Health Care in United States Ranks Lowest Among Developed Countries," 2008. [http://www.bmj.com/cgi/content/extract/337/jul21\\_1/a889](http://www.bmj.com/cgi/content/extract/337/jul21_1/a889).

<sup>17</sup> The World Health Organization Assesses the World's Health System. Press Release WHO/44 21 June 2000.

<sup>18</sup> Kevin Sack, Massachusetts Faces Costs of Big Health Care Plan , 2009. <<http://www.nytimes.com/2009/03/16/health/policy/16mass.html>>.

<sup>19</sup> *ibid*

<sup>20</sup> *ibid*

four. All insurers must accept applicants regardless of health status. And incentives were provided for doctors to practice primary care. The percentage of employers offering insurance options has increased. The government has acquired true savings, about \$250 million just last year, from lower payments to medical facilities for uncompensated care for the uninsured.

However, there are a few lessons the nation can learn from this bellwether state. First of all, it would never have been feasible for universal coverage to be enshrined into legislation three years ago if weighty cost restrictions were present. Doctors, hospitals and insurers would have opposed efforts to reduce revenues and constrain medical practices. Second, health spending in this state is currently at monumental proportions. It has risen above the national average in seven of the last eight years. Massachusetts now spends a third more per person, whereas the percentage was a respectful 23% in 1980.<sup>21</sup> Spending is expected to augment by 42% since 2006 as \$595 million more is consumed on health insurance programs.<sup>22</sup> Lastly, changes in the system may not be enough to slow the cost increases. The state and federal government may have to place limits on health care spending; and thus promote the rationing of health care. In the past, many states took individuals off public insurance rolls by restricting eligibility. It is imperative that mandates are made so every individual has an incentive to obtain health care. At the same time, cost constraints are real, and must be acknowledged.

Oregon has taken bold steps of it's own. In the state of Oregon, the Oregon Health Services Commission has formulated a procedure for rationing health care services available to recipients of taxpayer-subsidized coverage. The state's priorities focus on preventive care because it is less expensive and more effective than treating advanced conditions.<sup>23</sup> Oregon has an advanced health care system overall, as it allows for procedures like euthanasia and a balanced budget. Oregon has sought to provide low cost coverage for as many residents as possible while only spending the money it has available to spend. It may be overly idealistic to assume that costs can be cut by systematic interventions as coverage is expanded. Rationed health care may be required in addition to a reduction in profit margins of insurance companies.

Historically, the United States has been unsuccessful in reforming health care due to partisanship and lobbying from the health industry. Presidents Truman, Carter, Reagan, Clinton and G.W. Bush have all attempted to enact large reforms that have been cast out by Congress. President L. Johnson was successful in passing Medicare and Medicaid in 1965 as part of his Great Society, however they did not represent an overall reform of the system.<sup>24</sup> President Franklin D. Roosevelt attempted to include a type of national health insurance program in Social Security in 1935 and the "right to adequate medical care" was in the "second Bill of Rights" he proposed in his State of the Union address in 1944.<sup>25</sup> President Harry S. Truman proposed a national health care program with an insurance fund every citizen would pay into. Later, in 1993, the insurance industry ran advertisements depicting a fictional couple, "Harry and Louise," and the disastrous effects of having "government bureaucrats" enacting health care decisions.<sup>26</sup> These

---

<sup>21</sup> Alan Sager, a professor of health policy at Boston University.

<sup>22</sup> Kevin Sack, Massachusetts Faces Costs of Big Health Care Plan , 2009.  
<<http://www.nytimes.com/2009/03/16/health/policy/16mass.html>>.

<sup>23</sup> Sarah McIntosh, Oregon Becomes First State to Officially Ration Health Care, June 2009,  
<[http://www.heartland.org/publications/health%20care/article/25288/Oregon\\_Becomes\\_First\\_State\\_to\\_Officially\\_Ration\\_Health\\_Care.html](http://www.heartland.org/publications/health%20care/article/25288/Oregon_Becomes_First_State_to_Officially_Ration_Health_Care.html)>.

<sup>24</sup> Robert B. Helms, Three Roadblocks on the Road to Health Reform , 8 January 2009,  
<<http://www.aei.org/issue/29166>>.

<sup>25</sup> Pear, Robert. Health Care Reform News. The New York Times. May 27, 2009.

<sup>26</sup> Paul Krugman, Hary, Louise and Barack, 11 March 2009,  
<<http://www.nytimes.com/2009/05/11/opinion/11krugman.html>>.

advertisements assisted in ruining the Clinton health care plan and remain a symbol of the power of special interests in blocking meaningful health care reform. One of the central differences between earlier times and 2009 is that employers and business groups, worried at the ridiculous cost of health care, are now among the most fervent advocates for change. The current governmental administration headed by Barack Obama has surpassed and cast away many historical stereotypes, but it remains to be seen whether Obama will stand up to the so-called oligarchs and ensure that that promises he has made throughout his campaign and administration, and the ideals that he stands for, are upheld.

*Ramifications for the decision Obama makes and the future of the “public-private partnership”*

The nation’s long-term economic growth and future, as well as the government’s fiscal health depend on reform in the health care system. Obama has taken this reality into account by placing health care reform as a major priority on his agenda. Health care has also become his funding mechanism for his agenda. By reducing costs in health care, he could achieve other social and political objectives. He is one of the few Democrats that promote cost controls in addition to increased coverage. In his first budget submitted to Congress, a tax increase worth \$600 billion was included to fund increased coverage. Overall, governmental estimates place health care costs for this year at \$2.5 trillion, an average of \$8,160 per person. Health care, as it stands currently, will represent more than 20% of national economic output in 2018. During this time, public programs will represent half of health care spending. With health care costs rising, in addition to health concerns, the strain on governmental debt and the deficit become more profound. Obama received a \$1.2 trillion deficit and has increased it to a high \$1.8 trillion, that being 13% of G.D.P. The national debt is projected to double over the next decade and annual deficits are predicted to be about 5% or 6% in 2019. Interest payments on debt during that time will be \$806 billion annually.<sup>27</sup> Health care costs are imperative to control if Obama wants to continue his agenda. They represent the crux of his presidency.

The reform efforts from the new administration have elicited some support from insurers, pharmaceutical companies and large care providers. Many of these companies struggled to obstruct reform in earlier years. Insurance companies have now stated that they would voluntarily let go of restrictions on coverage for people with preexisting conditions if law mandated universal coverage. Many leaders in the field have volunteered to cut costs by \$2 trillion over the next decade. However, these efforts may not lead to sustainable or real change. During the Jimmy Carter administration, the industry undertook a short-lived “voluntary effort.”<sup>28</sup> Many of the business executives leading this approach are motivated by health insurance premiums that are increasing faster than rates of inflation, an occurrence that has been present for a few years. This adds to their costs as they continually face more international competition. J. Randall MacDonald, the senior vice president for human resources at I.B.M. said in 2007, “Five years from now this problem will have to be cured, or the competitiveness of the United States will be dramatically affected.”<sup>29</sup>

Many of the most divisive questions have not been answered, including the public insurance plan supported as an option to compete with private coverage. Although some of the

---

<sup>27</sup> Brooks, David. Fiscal Suicide Ahead. The New York Times. May 15, 2009.

<sup>28</sup> Pear, Robert. Obama Push to Cut Health Costs Faces Tough Odds. The New York Times. May 12, 2009.

<sup>29</sup> Freudenheim, Milt. New Urgency in Debating Health Care. The New York Times. April 6, 2007.

concessions by insurance companies have promoted the success of Obama's consensus-building approach, he may have to effectively overrule their demands if they stray too far from those the public would benefit from. Currently, Senator Charles Schumer of New York is attempting to create a compromise to appeal to political moderates. The insurance exchange serves a place where competition between the optional public plan and private plans can be realized. Individuals who are unable to garner coverage at work and ineligible for public programs like Medicaid, could buy policies from the public plan without regard to preexisting conditions and may receive government subsidies. Opponents of the public option say that it would have unfair advantages that would effectively drive private insurers out of business. However, that situation could be ameliorated by effective regulation.<sup>30</sup> The insurance industry is frantically attempting to avoid competition, and it has promised reforms and encouraged greater regulation of the private market. In addition to better regulation, the government's inclusion of a public plan would offer consumers choices, provide an option for those who do not wish to partake in a private market, and serve as a measuring stick for the costs and performance of private plans. Private plans traditionally pass on increasing costs to the subscriber. The public plan would probably have lower administrative costs and no profit motive. It has been suggested that the public plan would be subject to the same rules and regulations as private options. Congressional bills include other measures to ensure the levelness of the playing field.

It remains to be seen whether Obama will maintain his aura of cooperation and consensus building, or enact real and hard change in an industry that desperately requires it. The insurance industry has commenced with lobbying and advertisement efforts to eradicate the possibility of a new public option. Within the new reform framework, this one change is the one most opposed by the industry, and by congressional republicans. The reform proposals including the public option would effectively expand health care coverage and lower costs through improved regulation, benchmarking and competition. A market that has wide-reaching public effects like health care requires increased government regulation, transparency and competition to lower costs. If coverage is to be expanded, to reach the goals many other industrial nations have achieved, costs must also be cut. The sustainability of the country is contingent on that. Many conservatives and business leaders are opposed to the public option plan, and also the increased involvement of the federal government in the privatized market. The ongoing financial crisis has alerted the world to the necessities of increased governmental involvement and regulation of the markets. The invisible hand alone cannot allocate resources effectively if individuals are allowed to consolidate in markets and enact complicated and immoral financial procedures that they themselves do not understand. Private insurance companies are frequently considered more bureaucratic than any government agency. During his campaign, Obama said, "If those insurance companies and drug companies start trying to run ads with Harry and Louise, I'll run my own ads as president. I'll get on television and say 'Harry and Louise are lying.'" <sup>31</sup> Hopefully Obama will maintain his promises, and ensure that the health industry is reformed for good, for the betterment of the country and its citizens. Financial recovery now is dependent on Obama standing up to the so-called "oligarchs" and enacting true reform.

---

<sup>30</sup> A Moderate Plan for Health Care. New York Times. May 12, 2009.  
<http://www.nytimes.com/2009/05/12/opinion/12tue2.html?scp=1&sq=a%20moderate%20plan%20for%20hea&t=cse>

<sup>31</sup> Krugman, Paul. Blue Double Cross. The New York Times. May 22, 2009.