

The New York Times

Edwards Gets it Right

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[New York Times Column](#)

Feb 9, 2007

What a difference two years makes! At this point in 2005, the only question seemed to be how much of America's social insurance system — the triumvirate of Social Security, Medicare and Medicaid — the Bush administration would manage to dismantle. Now almost all prominent Democrats and quite a few Republicans pay at least lip service to calls for a major expansion of social insurance, in the form of universal health care.

But fine words, by themselves, mean nothing. Remember “compassionate conservatism?” I won't trust presidential candidates on health care unless they provide enough specifics to show both that they understand the issues, and that they're willing to face up to hard choices when necessary.

And former Senator John Edwards has just set a fine example.

At first glance, the Edwards health care plan looks similar to several other proposals out there, including one recently unveiled by Arnold Schwarzenegger in California. But a closer look reveals extra features in the Edwards plan that take it a lot closer to what the country really needs.

Like Mr. Schwarzenegger, Mr. Edwards sets out to cover the uninsured with a combination of regulation and financial aid. Right now, many people are uninsured because, as the Edwards press release puts it, insurance companies “game the system to cover only healthy people.” So the Edwards plan, like Schwarzenegger's, imposes “community rating” on insurers, basically requiring them to sell insurance to everyone at the same price.

Many other people are uninsured because they simply can't afford the cost. So the Edwards plan, again like other proposals, offers financial aid to help lower-income families buy insurance. To pay for this aid, he proposes rolling back tax cuts for households with incomes over \$200,000 a year.

Finally, some people try to save money by going without coverage, so if they get sick they end up in emergency rooms at public expense. Like other plans, the Edwards plan would “require all American residents to get insurance,” and would require that all employers either provide insurance to their workers or pay a percentage of their payrolls into a government fund used to buy insurance.

But Mr. Edwards goes two steps further.

People who don't get insurance from their employers wouldn't have to deal individually with insurance companies: they'd purchase insurance through "Health Markets": government-run bodies negotiating with insurance companies on the public's behalf. People would, in effect, be buying insurance from the government, with only the business of paying medical bills — not the function of granting insurance in the first place — outsourced to private insurers.

Why is this such a good idea? As the Edwards press release points out, marketing and underwriting — the process of screening out high-risk clients — are responsible for two-thirds of insurance companies' overhead. With insurers selling to government-run Health Markets, not directly to individuals, most of these expenses should go away, making insurance considerably cheaper.

Better still, "Health Markets," the press release says, "will offer a choice between private insurers and a public insurance plan modeled after Medicare." This would offer a crucial degree of competition. The public insurance plan would almost certainly be cheaper than anything the private sector offers right now — after all, Medicare has very low overhead. Private insurers would either have to match the public plan's low premiums, or lose the competition.

And Mr. Edwards is O.K. with that. "Over time," the press release says, "the system may evolve toward a single-payer approach if individuals and businesses prefer the public plan."

So this is a smart, serious proposal. It addresses both the problem of the uninsured and the waste and inefficiency of our fragmented insurance system. And every candidate should be pressed to come up with something comparable.

Yes, that includes Barack Obama and Hillary Clinton. So far, all we have from Mr. Obama is inspiring rhetoric about universal care — that's great, but how do we get there? And how do we know whether Mrs. Clinton, who says that she's "not ready to be specific," and that she wants to "build the consensus first," will really be willing to take on this issue again?

To be fair, these are still early days. But America's crumbling health care system is our most important domestic issue, and I think we have a right to know what those who would be president propose to do about it.