

WEEKLY HEALTH REFORM BRIEFING SUMMARY

June 26, 2009

This Week's Events

Senate

The Senate Health, Education, Labor and Pensions (HELP) Committee continued to discuss details of as yet undisclosed legislative language for a public plan option and employer "play or pay" mandate. The HELP Committee continued mark-up of other aspects of its proposed bill championed by Sen. Ted Kennedy (D-MA) and now being guided by Sen. Chris Dodd (D-CT), in Kennedy's absence. Dodd had hoped to complete mark-up by today but that now seems unlikely.

The Senate's most realistic work on health reform appears to be taking place in the Finance Committee. Chairman Max Baucus (D-MT) may be the default leader of the Senate's efforts. According to published reports, Senate Majority Leader Harry Reid (D-NV) conceded that if there is to be a bi-partisan bill, it will come from Finance.

The Finance Committee's consideration of health reform legislation has slowed due to concerns over financing a health reform bill, and the effect on employer-provided coverage of both Medicaid expansion and federal subsidies for individuals to purchase coverage from an insurance exchange.

Regarding cost, the President reiterated this week is commitment to make health reform "deficit neutral." The Finance Committee's bill will likely include:

- A tax on some employer-provided insurance;
- Medicare cutbacks (reductions in amounts paid to hospitals and other providers);
- Scaled back premium subsidies; Sen. Kennedy's bill would supply subsidies to households with incomes up to 500% of the federal poverty level (about \$110,000 for a family of four; note that median household income in America is around \$60,000); the Finance Committee would reduce the subsidy eligibility ceiling to 300% of the federal poverty level (\$66,150);
- Scaled back tax credits to small businesses, to help them purchase insurance; and
- Deferral to 2013 of a Medicaid expansion designed to cover millions more Americans.

Senators are recognizing that a public plan and/or subsidies to purchase insurance through an exchange could damage the employer-based system through which most Americans obtain coverage. The Congressional Budget Office (CBO) reiterated the same warnings we've been asserting for weeks: "The availability of subsidized coverage in the new insurance exchange would be an attractive option for many lower-income workers. As a result, some employers would decide not to offer their employees health insurance coverage, opting instead to provide other forms of compensation."

Thus, discussions in the Finance Committee this week focused on the problem, with Democratic Senators Blanche Lincoln (D-AR) and Kent Conrad speaking of the need to preserve employer-sponsored insurance.

Focus centered on ways to require employers to provide coverage or pay a tax ("play or pay") to reduce the risk of employees leaving group plans to get health insurance through a state or federal exchange. The CBO recommended higher penalties on employers who fail to provide coverage. President Obama has insisted that small employers be exempt from a play or pay requirement, but Sen. Baucus disagrees, believing a better solution is to supply tax credits to help small business meet such a requirement.

House of Representatives

The three House committees with jurisdiction over health care reform—Ways & Means, Education & Labor, and Energy & Commerce—held hearings this week on the health care reform legislation discussion draft issued on June 19. Jim Klein, President of the American Benefits Council, testified before the full Education & Labor Committee, and warned against a public plan and "play or pay" mandates. Questions from Committee members focused on the potential for cost-shifting resulting from a public plan option, the unintended consequences of a play or pay mandate, and possible tax consequences of health care reform.

The Energy & Commerce Subcommittee on Health heard testimony on the public plan option. Stephen Parente, director of the Medical Industry Leadership Institute, said he believed a public plan option and an employer play or pay mandate could negatively affect employers' group plans.

Other Newsworthy Items

Congress begins its Independence Day recess after today.

This Week's Moment of Zen

"Of the \$80 billion, we estimate that \$30 billion could be used for the doughnut hole and passed on to seniors. The other \$50 billion could go to health care reform, but these savings have not been identified at the moment."

Reid H. Cherlin, a White House spokesman, retreating from earlier, gushing comments about how a deal reached last weekend between the White House and drug manufacturers will help pay for health reform. Early statement said \$80 billion in savings could be applied to health reform. Turns out, almost half the savings go right to Medicare Part D enrollees, while the remaining savings "have not been identified at the moment."