

HEALTH CARE REFORM

President Obama's vision may be carried out – in part.

Provided by Timothy C. Hucks, CEP, President, Rising Tide, Inc.

The U.S. is the only developed nation without a comprehensive national health care system. President Barack Obama aims to change all that with a massive reform bill to bring health insurance to 46 million Americans without it over the next 10 years.

Huge reform, huge questions. How much will this cost? Who will pay for it? Could the reform put private health insurers out of business? Will it work? These are just some of the questions swirling around the proposed legislation.

Huge compromises. The most controversial aspects of the bill may soon be watered down. Part of that has to do with cost; part of it has to do with appeasing the private sector. The Senate and House must reconcile different versions of the bill. In the House version, 95% of Americans would be eligible for health coverage; in the Senate version, 97% of Americans would qualify.^{1,2}

Possibly kaput: the government-sponsored option for health insurance. Could private health insurance companies hope to compete with the federal government? Private insurers railed against their proposed new competitor – and last week, Sen. Kent Conrad (D-ND), a Senate Finance Committee member, told Bloomberg News that talk was shifting away from that concept in the Senate and toward nonprofit cooperatives. The House version of the bill still includes the government-run plan.¹

Also possibly kaput: mandatory health insurance for employees. In the original conception, businesses would pay federal fines in the future if they refused to provide health coverage to workers. According to Sen. Conrad, the Senate version of the bill would ask businesses to shoulder a portion of the cost of Medicaid coverage received by their workers, or 100% of the Medicaid tab for certain workers poor enough to qualify for a tax credit that could help them buy health insurance.¹

If the bill passes, the amount of employer-provided health benefits exempt from income taxation might be limited. Sen. Max Baucus (D-MT), current chair of the Senate Finance Committee, has suggested a \$15,000-\$17,000 ceiling on that tax exclusion.¹

Definitely disliked: the proposals to fiddle with private Medicare plans. The Obama administration has set goals of ending overpayments to Medicare Advantage, which it claims would save the government \$177 billion by 2019. In that same time frame, it also wants to use Medicare reimbursements to reduce preventable hospital readmissions – for a conceived \$25 billion in additional savings.³ The Obama reforms would also give Medicaid members a bigger prescription drug discount, while reducing that discount for high-income Medicare members.⁴

In testimony before the House energy and commerce panel, Blue Cross and Blue Shield Association senior VP Alissa Fox contended that any cuts in Medicare funding “would cause millions of Medicare Advantage enrollees to lose their coverage and lead to significant reductions in benefits or increases in premiums for millions more.” In addition, Blue Cross, Blue Shield and America’s Health Plan recently presented a letter to Sen. Ted Kennedy (D-MA), referencing a Milliman study that found the average family of four pays \$1,700 a year more than they should in health insurance premiums due to Medicare and Medicaid underpaying hospitals and physicians.^{1,5}

Obama claimed before the American Medical Association that his reforms “will actually extend the life of the Medicare Trust Fund by 7 years and reduce premiums for Medicare beneficiaries by roughly \$43 billion over 10 years.”³

The proposed total costs: apparently almost \$1 trillion. Sen. Baucus and Sen. Chuck Grassley (R-IA) worked in late June with the Senate Finance Committee to whittle down the House’s \$1.6 trillion version of the bill to less than \$1 trillion.²

Who pays for it? Tax increases and savings would fund the reforms. More specifically, the President has talked about cutting back the value of the itemized deductions available to the wealthiest American taxpayers. House Ways and Means subcommittee chair Rep. Richard Neal (D-MA) said other ideas a payroll tax and a value-added tax. The Senate seems to prefer the idea of taxing employee health benefits.⁶

More change likely to come. “We are still early in this process,” Obama noted Thursday. “We have not drawn lines in the sand.” Expect those sands to shift further as legislators and lobbyists exert pressures on another of the President’s ambitious reforms in July.

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Citations.

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