



# Bryan Cave Health Reform Update

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Issue 6

## **White House**

### **President Obama Meets with Senate Democrats, Details Reform Principles in Letter**

President Obama on June 2 met with Democratic Senators from the Finance and the Health, Education, Labor and Pensions Committees to discuss health reform. Lawmakers who attended the meeting reported that the President said both the House and Senate need to pass reform legislation before the August congressional recess so there will be time to resolve any differences in September and have a bill signed by October.

After the meeting, President Obama said that reform efforts must provide coverage for the uninsured but also must control costs. “If we don’t get control over costs, then it is going to be very difficult for us to expand coverage. These two things have to go hand in hand,” President Obama said.

Sen. Sherrod Brown (D-OH) said that the majority of the Senators who attended the meeting and President Obama support a public plan option as part of the reform effort. Sen. Max Baucus (D-MT), chair of the Finance Committee, said that it is “inevitable” that reform legislation will pass this year.

President Obama also sent a letter on June 2 to Sen. Edward Kennedy (D-MA), chair of the HELP Committee, and Sen. Baucus (D-MT). The letter indicated the President’s “core belief” is that Americans need better choices for health insurance,

that they should be able to keep their current coverage, and costs need to be reduced. In addition, the letter noted that the reform proposal should include a Health Insurance Exchange. He expressed support for a public insurance plan option – a controversial element that is opposed by Republicans and some conservative Democrats.

President Obama also wrote that no plan should deny coverage based on preexisting conditions, and all plans should include a basic benefit package that includes prevention benefits and protection from catastrophic costs. The President indicated that health reform must be budget-neutral and not add to the deficit.

The letter also indicated that President Obama may support giving the Medicare Payment Advisory Commission (MedPAC) the authority to implement its recommendations to reduce Medicare costs unless opposed by a joint resolution of Congress.

The letter is available [here](#).

### **White House Council of Economic Advisers Report Estimates Impact of Health Reform**

The White House Council of Economic Advisers issued a report on June 2 that found health reform would raise Americans’ standard of living, reduce the federal budget deficit, and lower the unemployment rate. By slowing the annual growth rate of health care costs by 1.5 percentage points, the report found the real gross domestic product would increase by

more than 2 percent in 2020 and by almost 8 percent in 2030.

For a typical family of four, the report said health care reform would produce growth in the GDP that would result in an income in 2020 of about \$2,600 more than without reform (in 2009 dollars) and almost \$10,000 in 2030.

The report is available [here](#).

## **Congress**

### **HELP Committee Unveils Draft Reform Language**

Major elements of draft health reform legislation developed by the Senate HELP Committee was circulated June 5. The draft would expand Medicaid eligibility to those with incomes up to 150 percent of the federal poverty level, impose federal tax penalties on most individuals failing to purchase coverage, require employers to provide health coverage for their employees or help pay for it, and strengthen the regulation of private health insurance plans. Changes to the private insurance market would include preventing insurers from denying coverage to individuals based on pre-existing conditions and basing the variance of premiums on such factors as family structure, community rating, and the actuarial value of the benefit. The draft would prohibit lifetime or annual limits on coverage and cost-sharing requirements for certain preventive health care procedures, immunizations, and for children's preventive care office visits. While the legislation would establish a government-run public plan option that would pay health providers the same rates as Medicare, few other details about the controversial proposal are included. The draft bill language does not indicate how to pay for the proposed changes to the system.

### **Baucus, Dodd Cite Progress on Reform Legislation**

On June 4, two days after meeting with President Obama, Sen. Max Baucus (D-MT), chair of the Finance Committee, and HELP Committee member Christopher Dodd (D-CT) said progress was being made on drafting a bipartisan health reform legislation that will be considered by both committees this month. Baucus said that a public plan option will be included in the Finance Committee's legislation and noted that Senators have agreed that such an option should not set price or have a competitive advantage over public plans. In addition, he said the public option should have limited federal involvement. Republicans, however, will likely not support the bill if a public option is included.

While Baucus and Dodd reiterated they intended to pass legislation before the August recess, Sen. Mike Enzi, ranking member of the HELP committee and a member of the Finance Committee, urged Democrats not to adhere to "arbitrary deadlines," adding that if reform legislation is "done wrong, Congress might not be able to go back and fix it."

Several Finance Committee members have expressed frustration with the process, as they have yet to review detailed reform proposals and are being asked to support tax increases without a complete understanding of how the reform legislation will achieve savings in the health care system. Sen. Orrin Hatch (R-UT) said he was concerned that the committee is moving forward with plans to markup reform legislation without a Congressional Budget Office cost estimate.

### **Gregg Releases Reform Proposal that Includes Individual Mandate, Cap on Tax Exclusion**

On June 2, Sen. Judd Gregg, ranking member of the Senate Budget Committee, released an outline of a reform proposal that focuses on coverage, prevention and reform. To expand coverage, the plan defines a cost structure, rather than a benefit structure, to allow for flexible plan design. In addition, the proposal

allows preventive benefits and disease management under the deductible with nominal co-payments for related office visits. The proposal does not permit annual or lifetime caps on expenses above the deductible. The plan includes an individual mandate to obtain coverage and would provide those with incomes up to 300 percent of the federal poverty level with subsidies for both the premiums and deductibles. The plan caps the tax exclusion on employer-sponsored health insurance at \$11,500 per year for family coverage and \$5,000 per year for individual coverage.

Additional details are available [here](#).

### **HHS Secretary Testifies in Favor of Public Plan Option before House Appropriations Subcommittee**

HHS Secretary Kathleen Sebelius on June 2 testified before the House Appropriations Labor-HHS-Education Subcommittee that the Obama administration supports the inclusion of a public plan option as part of health reform legislation. She said such a plan would promote competition, protect consumer choice and limit the need for regulation. “Absent a public option, in many parts of the country, you would not have choice and you would not have competition,” Sebelius said.

Sebelius also said that President Obama opposes taxing employer-sponsored health coverage as a way to pay for health reform, noting that taxing the benefits would “dismantle the market that so many rely on.”

### **House Blue Dogs Detail Reform Principles, Express Concern over Public Plan Option**

On June 4, the Democratic Blue Dog Coalition, a group of fiscally conservative House Democrats, released a set of principles for health reform that call for protecting consumer choice and promoting competition. The Blue Dogs believe that if a public option must be included in a health reform package, it should be used only as a “fallback” (in the absence of

adequate competition and cost containment). The Blue Dogs have not endorsed a public plan but indicated that if such a plan is included it should meet the following minimum conditions:

- Payment rates must be negotiated between the plan and providers and not be based on Medicare rates.
- Hospitals and physicians should not be required to participate or be barred from participation if they do not accept Medicare.
- The plan must cover its claims through premiums and co-payments and must not rely on federal funding for its operations.
- The plan must be actuarially sound and maintain a reserve fund.

In addition, the Blue Dogs contend the public option must adhere to the same regulations as private plans and be administered by a separate agency than the agency selected to manage any Health Insurance Exchange.

The position paper is available [here](#).

### **Rangel Says Health Care Reform a Priority for Ways and Means Committee**

House Ways and Means Chairman Charles Rangel (D-NY) on June 3 said health care reform remains a priority for his committee and will not be overshadowed by climate change legislation. “Nothing changes our agenda for health care,” he said. In addition, House Majority Leader Steny Hoyer (D-MD) said the three House committees with jurisdiction over health care reform will consider a single health reform package. Hoyer said that passing health reform legislation before the August recess remains a target for the House.

### **Interest Groups**

The health care industry stakeholders that pledged to reduce health care costs over the next decade on June 2 presented specific proposals to President Obama. The American Medical Association, the American

Hospital Association, Pharmaceutical Research and Manufacturers of America, the Advanced Medical Technology Association, America's Health Insurance Plans, and the Service Employees International Union presented a proposal that together would save \$1.7 trillion through savings in the utilization of care, chronic care management, administrative simplification, and the cost of doing business. For example, AHIP said administrative simplifications through automation and standardization of claims submissions, eligibility, claims status, payment, and remittance functions would reduce cost. AHIP also called for the Department of Health and Human Services to promulgate regulations to require the changes.

AHA indicated it would launch a campaign to promote best practices with an initial focus on patient safety and infection prevention. In addition, AHA said cost savings could be obtained through care coordination, health information technology and reducing supply costs. Both AdvaMed and PhRMA cited comparative effectiveness as a way to reduce costs. PhRMA indicated support for an abbreviated regulatory approval process for bio-generic drugs.

The group's letter is available [here](#).

After the proposals were released, House Ways and Means Committee Ranking Member Dave Camp (R-MI) requested that the Congressional Budget Office (CBO) review the group's initiatives to determine the level of federal savings for each of the proposals.

Camp's letter to CBO is available [here](#).

### **Labor Coalition Launches Campaign in Support of Health Reform**

A coalition of labor and grassroots organizations June 1 announced an \$82 million campaign to help enact health care reform legislation this year. The Health Care for America Now campaign, a coalition that includes the AFL-CIO, Change to Win, MoveOn.org, and Democracy for America, will spend the money

on television and radio advertising and on an organization effort.

Additional details are available [here](#).

### **Hearings This Week**

The Senate HELP Committee has scheduled the following meetings:

June 9, 10:00-12:00	Bipartisan walkthrough
June 10, 10:00-1:00	Bipartisan walkthrough or hearing
June 11, 10:00-1:00	Possible legislative hearing

House Education and Labor Committee Health, Employment, Labor and Pensions Subcommittee has scheduled a hearing titled "Examining the Single Payer Health Care Option." 2175 Rayburn House Office Building. June 10, 10:30