



# Bryan Cave Health Reform Update

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Issue 7

## White House

### Obama Proposes Billions in Medicare, Medicaid Cuts to Finance Health Reform

President Obama on June 13 proposed roughly \$313 billion in Medicare and Medicaid spending reductions to help pay for health reform. During his weekly radio address, President Obama said the cuts would “rein in unnecessary spending and increase efficiency and the quality of care.”

The proposal is in addition to the President’s FY 2010 budget plan, which included \$635 billion in proposed Medicare and Medicaid spending reductions. Together, the new proposal and the FY 2010 budget blueprint amount to nearly \$950 billion in Medicare and Medicaid offsets over 10 years to pay for health reform.

The new savings would be achieved through:

- \$110 billion in productivity adjustments for Medicare providers;
- \$106 billion in cuts to the Medicare Disproportionate Share Hospital (DSH) program;
- \$75 billion in Medicare prescription drug spending reductions;
- \$14.4 billion in cuts to nursing homes, long-term care hospitals, and inpatient rehabilitation hospitals; and
- \$6 billion in cuts to physician imaging services.

In addition, the President has proposed \$1 billion in savings from reduced fraud and abuse. President Obama described many of the proposals as “commonsense.” For example, he said that “if more Americans are insured, we can cut payments that help hospitals treat patients without health insurance.”

White House Office of Management and Budget Director Peter Orszag said that, although payments to Medicare providers would be reduced to pay for health reform, they will benefit from the nearly universal coverage.

A White House fact sheet on the proposal is available [here](#).

### Obama Presses Lawmakers to Resolve Differences, Move Reform Bill to Senate Floor by July

At a June 10 White House meeting with lawmakers, President Obama urged them to work past differences that may scuttle health reform. While reportedly flexible on the details of the legislation, the President pushed the legislators to resolve their differences in time to get a bill to the Senate floor by July. Sen. Charles Grassley (R-IA) said, “The president, I thought, was very flexible except on one thing, and that was getting it done. When the president is flexible on controversial things ... I think that that's good news.”

## **Obama Campaigns for Health Reform Support**

On June 11, President Obama held a town hall meeting in Green Bay, Wisconsin to promote his health reform agenda. While indicating he preferred to leave the details of the reform legislation to Congress, he did say he supported the creation of a health insurance exchange and a public plan. He said, "One of the options in the exchange should be a public insurance option -- because if the private insurance companies have to compete with a public option, it will keep them honest and help keep prices down." President Obama said he wanted to sign a bill by the end of the year. In other recent opportunities the President and his staff have been more specific about an early October time frame.

## **Congress**

### **HELP Committee Reform Draft Unveiled**

The Senate Health, Education, Labor and Pensions Committee on June 9 released a 615-page health care reform bill that includes an individual coverage mandate and an employer mandate; institutes heightened regulation of private health insurance plans; and creates a new public health insurance plan option. The proposal also expands Medicaid eligibility. The summary provides lawmakers with several options regarding the development of a public plan option and an employer mandate to provide coverage. Following a walk-through for committee members, Republican Senators expressed frustration that the draft bill did not include input from earlier meetings between committee Democrats and Republicans. Sen. Chris Dodd (D-CT) said that Democrats are willing to negotiate how to draft the details of a public plan and an employer mandate. A markup of the legislation is scheduled for June 16.

A copy of the bill is available [here](#).

In related news, the HELP committee held a hearing on June 11 to discuss the reform legislation. Business, employer, and insurance industry witnesses

indicated they are opposed to a public plan option and an employer play-or-pay mandate.

Additional details are available [here](#).

### **Conrad Proposes Co-op Alternative to Public Plan**

Sen. Kent Conrad (D-ND), in an effort to reach a compromise regarding the inclusion of a public plan option in health reform, proposed creating "consumer cooperatives" to offer health insurance. The non-profit cooperatives would be included within the proposed insurance exchanges and be controlled by the members of the cooperative through a governance board. The co-ops could operate nationally, state-wide or as a hybrid model. The cooperatives could receive federal money at the outset but then would become self-sustaining. Finance Committee Chairman Max Baucus (D-MT) indicated that there is interest in the idea among many Senators and President Obama. However, some Senate and House Democrats are rejecting the idea of the co-op as an alternative to a public plan. House Speaker Nancy Pelosi said the co-ops would not be a suitable replacement for a public plan option.

### **Senate Democrats Consider Abandoning CBO Scoring in Favor of White House Budget Office**

Senate Democrats reportedly are considering changing the Senate's normal process for determining the federal budgetary impact of legislation, at least as far as health reform is concerned. They fear that the Congressional Budget Office would assign massive costs to health reform legislation, which would dramatically affect the ability to pass a bill. Instead of relying on CBO figures, as is the custom, estimates from the White House Office of Management and Budget would be used. Sen. Barbara Boxer (D-CA) said she will not use CBO if it does not score disease prevention measures as resulting in budgetary savings. Sen. Max Baucus (D-MT) said that he estimates approximately half of the cost of reform would be covered by savings through preventive medicine, improvement of information technology and better care coordination. However, his office has

denied that he will rely on OMB estimates rather than CBO figures.

### **House Democrats Release Reform Summary**

House Democrats on June 9 released a three-page summary of health reform legislation developed by the three committees with jurisdiction over health reform (Ways and Means, Energy and Commerce, and Education and Labor). The summary indicates the legislation would create an insurance exchange and a government-run plan option and provides for subsidies and spending limits to ensure affordable coverage. In addition, the bill includes individual and employer coverage mandates and new regulations for the insurance market.

Under the bill, small businesses would receive tax credits for providing health coverage, and small, low-wage firms would be exempt from the employer coverage mandate. Individuals unable to afford coverage also would be eligible for an exception from the mandate. Medicaid would be expanded, and provider payment rates would be increased to improve beneficiary access to primary care. Reforms to the Medicare program also are included in the reform package, including a fix for the sustainable growth rate formula, which determines physician pay rates in Medicare.

The House committees are expected to markup health reform legislation in the next several weeks, with the goal of passing a bill in the House before the August recess. A draft bill is scheduled to be sent to the committees next week so that each can hold hearings and markups.

The summary is available [here](#).

### **Single-Payer Advocates Seek Consideration in Health Reform**

The House Education and Labor Subcommittee on Health, Employment, Labor, and Pensions on June 9 held a hearing that featured testimony in favor of a single-payer health system. Witnesses said the

expense and inefficiencies of the current system would be corrected under a single-payer model. They said that single-payer health care is favored by most Americans and that the idea should not be omitted from health reform discussions. A Canadian physician, however, testified against the single-payer system and described the Canadian program as one that rations services and often provides sub-standard care. Republicans on the Subcommittee said the reform efforts were moving at an unnecessarily hasty pace, noting that complex and expensive reforms should not be held to arbitrary and rushed deadlines set by political leadership. They also were surprised that the Subcommittee would hold a hearing on the single-payer issue as most lawmakers consider the concept politically unfeasible.

### **Joint Taxation Committee Issues Revenue Estimates on Capping Employer-Sponsored Exclusion**

The Joint Committee on Taxation (JCT) has issued revenue estimates for a number of health reform financing options presented by the Senate Finance Committee. According to the committee, capping the exclusion for employer-provided benefits for those with adjusted gross incomes of more than \$100,000 for singles, \$200,000 for married couples, would raise \$161 billion over 10 years. Including workers of all incomes would raise \$418.5 billion over 10 years. JCT also found that raising the tax rate on alcoholic beverages to \$16 per proof gallon would raise \$61.5 billion, and taxing sugar-sweetened beverages 3 cents per 12 ounces would raise \$51.6 billion.

While advocates of “sin taxes” contend that federal excise taxes on alcohol have not kept pace with inflation and that sugary drinks are “empty calories” that contribute to obesity, House members reportedly are concerned that sin taxes and changes to the tax treatment of employer-provided health insurance may not be appropriate given the economic situation and the potential for job losses. For example, Rep. Mike Thompson (D-CA) said that “any dollars picked up on the tax side would be lost on the jobs side.” There are many wineries in Thompson’s district.

## **Democratic Policy Committee Cites Rising Costs, Economic Needs in Case for Health Reform**

The Democratic Policy Committee on June 9 issued a policy paper that cites “skyrocketing” health care costs as a contributing factor to the economic crisis. The paper notes that health care reform is needed now “to restore our economy and secure our nation’s fiscal future.” According to the paper, rising health care costs jeopardize employer-sponsored coverage, consume a larger percent of workers’ wages, and lead to unsustainable medical debt. In addition, the number of uninsured effectively create a “hidden tax” on those who have health insurance through increased premiums.

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

## **New Democrat Coalition Releases Principles for Public Plan Option**

On June 10, the New Democrat Coalition, a group of House moderates, released a framework for a public plan option. The ideas largely reflect the principles released by the House Blue Dogs last week. The framework states that the public option must be “self-sustaining” and must not rely on the government for administrative services or costs. In addition, the plan must not require hospitals and doctors to participate. The proposal also calls for a commission to “review and determine the effects” of the public plan option on the market and if competition and quality have improved.

The framework is available [here](#).

## ***Interest Groups***

### **Commonwealth Fund Offers Framework for Health Insurance Exchange**

A health insurance exchange that offers a choice of private insurance and a public plan option is a key feature of a framework for health reform recently proposed by the Commonwealth Fund. Prepared in conjunction with Consumers Union, the framework

includes the creation of a standard comprehensive benefit package. In addition, it calls for requiring employers to offer either coverage or contribute to a national health insurance trust fund. It also would require insurance plans to adopt guaranteed issue and community rating. To further increase coverage, the framework would make those with incomes below 150 percent of the federal poverty level eligible for Medicaid and the State Children’s Health Insurance Program (SCHIP).

The proposal is available [here](#).

## **Maintaining Value of Itemized Deductions Could Save Billions for Health Reform**

The Center for Budget and Policy Priorities on June 10 issued a report that found \$68 billion over 10 years would be raised by keeping the value of itemized deductions for the top two tax brackets at their current level, as opposed to allowing the value to increase when the top two brackets are scheduled to increase from 33 and 35 percent to 36 and 39.6 percent, respectively. President Obama has proposed limiting the value of itemized deductions for high-income filers to 28 percent to pay for health reform. According to the report, by at least maintaining the current value of the itemized deductions and not increasing their value when the tax brackets increase, Congress could help finance health reform while maintaining the existing incentives for charitable giving.

Additional details are available [here](#).

## ***Hearings This Week***

Senate Health, Education, Labor and Pensions will markup the Affordable Health Choices Act  
June 16, 2:30, markup begins  
June 17, 10:00, member opening statements  
325 Russell Bldg

Senate Finance Committee will hold a members-only walkthrough of health reform legislation.  
June 17