



# Bryan Cave Health Reform Update

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Issue 9

## White House

### White House Hosts Health Reform Town Hall

On June 25, President Obama held a forum at the White House to discuss the need for health care reform. ABC News televised the event at which the President fielded questions and concerns from some of the 164 audience members. The audience was comprised of a broad array of health care stakeholders from across the country. The President answered questions about the costs of health care reform and the provision of effective treatments. Obama called for a “uniquely American” solution that will control costs and provide quality care while preserving choice. The President emphasized that reform is needed now because the *status quo* is unacceptable.

Additional details are available [here](#).

Republicans criticized the event in advance, characterizing it as an infomercial for the President’s reform plan. Forty House Republicans sent a letter to ABC News and asked the network to provide a balanced presentation of health reform issues.

The letter is available [here](#).

### Administration Open to Bipartisan Compromise

According to White House chief-of-staff Rahm Emanuel, President Obama remains confident Congress can pass a bipartisan health care reform compromise this year and is open to alternatives to a

government-run health insurance plan. Emanuel said the two most important factors in the upcoming debate are how Congress decides to keep health costs down and the way lawmakers design a new “health care exchange” able to compete with private insurers. However, Emanuel would not rule out enacting an overhaul using the controversial budget reconciliation process. “Our goal is to get it through the normal process — that’s why we’re working very extensively, very aggressively toward that,” Emanuel said June 25. “Reconciliation exists as a tool, but that’s not the goal.”

### Obama Touts Public Plan at White House Presser

President Obama defended his proposed government-sponsored health plan option as an “important tool to discipline insurance companies,” but he stopped short of declaring its inclusion in a reform package as “non-negotiable.” Speaking at a June 23 news conference, Obama referenced recent polls showing strong public support for a public option and rejected arguments that the option would drive out private insurers. “If private insurers say that the marketplace provides the best quality health care; if they tell us that they’re offering a good deal, then why is it that the government, which they say can’t run anything, suddenly is going to drive them out of business?” Obama said. “That’s not logical.”

### Administration Defends Report on Health Costs

At a June 19 House Budget Committee hearing, Christina Romer, chairman of the White House Council of Economic Advisers, defended a recently issued report touting the potential benefits of reducing

the rising cost of health care. The report said it may be possible to slow the costs of medical care by 1.5 percentage points annually for almost 25 years without affecting the quality of care or outcomes. Doing so would increase the size of the U.S. economy by more than two percent in 2020 and by more than eight percent in 2030. Romer testified that the report's estimates of the economic and budgetary effects of medical care cost savings were generally conservative. She said President Obama has been committed to paying for the costs of health care reform and has proposed \$950 billion in budget savings and revenues to demonstrate that commitment.

To view the report, click [here](#).

## **Congress**

### **House Committees Hold Hearings on Health Reform Draft**

The three House committees with jurisdiction over health reform issues held hearings the week of June 22 to hear from stakeholders representing myriad health care interests about Democrats' draft reform legislation. While Democrats praised the bill for bringing about comprehensive health reform, Republicans expressed concern over the bill's presumed cost, the inclusion of a public plan option, employer and individual mandates, and the lack of bipartisan input. In testimony before the Energy & Commerce Committee, HHS Secretary Kathleen Sebelius said President Obama is open to "good ideas" on how to pay for reform and has outlined \$950 billion over 10 years in savings. Sebelius said the Democrats' bill embodies the President's eight principles for health reform. The Energy & Commerce, Ways and Means, and Education and Labor Committees intend to simultaneously mark up the Democrats' reform bill after lawmakers return from the Independence Day recess.

For Energy & Commerce information, click [here](#).  
For Education and Labor information, click [here](#).

For Ways and Means information, click [here](#).

While House Democrats await official cost estimates from the Congressional Budget Office (CBO) regarding their discussion draft, Republicans released a cost analysis conducted by Health Systems Innovations, an independent research firm, that predicts the draft bill would result in \$3.5 trillion in new federal spending and 64 million Americans losing private health coverage.

A summary of the report is available [here](#).

### **Senate Health Panel To Resume Markup After Recess**

The Senate Health, Education, Labor and Pensions (HELP) Committee adjourned its markup of health reform legislation June 25 without resolving several controversial issues. After seven days of debate, the committee found it needed additional cost information from CBO on provisions pertaining to long-term care issues and an employer coverage mandate and decided to resume consideration after the July 4<sup>th</sup> recess. Also, Democrats have yet to produce legislative language establishing the creation of a public plan option. Although Acting Chairman Chris Dodd (D-CT) had hoped to conclude the markup prior to the recess, Dodd said he will release the unaddressed provisions of the bill to committee members as early as June 29 so they will have time to review the provisions in advance of the markup's resumption on July 6. Dodd said he hopes debate on the bill can be completed by July 10.

### **Finance Committee Announces Pared Down Reform Bill Estimate**

Senate Finance Committee Chairman Max Baucus (D-MT) announced June 25 that his committee has put together a fully offset health reform package that CBO has estimated would cost less than \$1 trillion. The committee has not produced an outline of the provisions in the pared down proposal, but many believe the bill will include changes to the income exclusion for employer-provided health benefits and

the creation of an independent entity to set Medicare payment rates. The proposals under discussion by the committee do not include an employer mandate but likely will include a “free-rider” requirement for businesses to make coverage affordable for employees.

### **Wyden Proposes Tax Revisions to Pay for Reform**

In an effort to provide an offset for health reform acceptable to both Republicans and Democrats, Sen. Ron Wyden (D-OR) submitted a proposal to Senate Finance Chairman Max Baucus (D-MT) that would give people with health insurance a standard, above-the-line tax deduction. Wyden’s proposal would eliminate the current tax exemption for employer-sponsored health benefits and replace it with the deduction, which would apply to people who have any form of health insurance. Health benefits above \$17,240 would be taxed. As a result, the proposal would raise money to help pay for the health care overhaul. Wyden said the plan would essentially be a tax cut for the millions of households whose annual benefits do not reach that dollar figure. Baucus has proposed paying for health reform in part by capping the current tax exclusion on benefits at \$17,240 — the value of health benefits provided to federal employees, plus 10 percent.

### ***Interest Groups***

#### **Report Ties Greatest Savings to Public Plan Option Paying Medicare Rates**

A June 23 report released by the Commonwealth Fund says the best way to slow health care spending, save costs, and provide near-universal coverage is through a comprehensive approach to health reform that includes a public insurance plan option in which providers are paid rates comparable to Medicare plan rates. The report analyzes three options to reform the health system: one with a public plan option with rates comparable to Medicare rates; one with a public plan option with rates that are between Medicare rates and private insurance rates; and one that is

exclusively private insurance but still involves comprehensive reform to delivery of care and provider payment. According to the report, cumulative health system savings between 2010 and 2020 would range from a high of \$3 trillion under the approach that includes a public plan paying providers at Medicare rates in competition with private plans, to \$2 trillion for a public plan paying providers at rates midway between current Medicare and private plan rates, and \$1.2 trillion in the private plan scenario. All three scenarios would provide nearly universal affordable coverage according to the report.

To read the report, click [here](#).

### **Insurance Industry Rejects Public Plan Proposal**

In a June 19 letter to HELP Chairman Edward Kennedy (D-MA), the Blue Cross and Blue Shield Association and America’s Health Insurance Plans reiterated their opposition to creating a public insurance option as part of health reform legislation, saying it would have “devastating consequences.” The groups said, “A government-run plan—no matter how it is initially structured—would dismantle employer-based coverage, significantly increase costs for those who remain in private coverage, and add additional liabilities to the federal budget.” The two industry groups said a public insurance option also could limit quality development and “exacerbate the cost-shifting that already occurs from public programs to private payers as a result of the inadequate reimbursement rates.”

The letter is available [here](#).

### ***Hearings This Week***

Congress has adjourned for the Independence Day recess, June 29 – July 3. Lawmakers are expected to return to Capitol Hill on July 6.

The **Senate Health, Education, Labor and Pensions Committee** will continue its markup of health reform legislation on July 6.