



Bryan Cave Health Reform Update

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White House

Obama Advocates for Health Reform in Campaign-Style Appearances

President Obama on July 29 held town hall-style meetings in North Carolina and Virginia to build support for the passage of health reform legislation. He said that reform legislation will include consumer protections for those who currently have insurance. These protections will “make sure that those who have health insurance are treated fairly and insurance companies are held accountable,” Obama said. Obama also sought to portray the “personal element” of the reform effort, adding, “We’re the wealthiest country on Earth, and for us to be the only developed nation where people cannot count on health care is shameful.”

Throughout the month of August, President Obama will travel around the U.S., using the “bully pulpit” to reiterate his case, and to some degree reassure an increasingly nervous public about the urgency of comprehensive health reform.

View video of Obama’s appearances [here](#).

Small Businesses Become Focus of Health Reform

According to a July 25 report from the White House Council of Economic Advisers, the implementation of health reform legislation would relieve small businesses of disproportionately higher employee health insurance costs. White House economists

found that health reform would improve the U.S. economy’s overall performance, given the role small firms play in job creation and innovation, and increase individuals’ income at the same time. President Obama, who discussed the study’s findings in his weekly radio address, said that slowing the growth rate of costs and expanding coverage will increase living standards, encourage economic growth, relieve the budget deficit, and improve labor market efficiency. CEA Chair Christina Romer said the report is designed to provide facts that refute false claims that health reform would hurt small businesses.

Read the Council’s report [here](#).

In response to the Council’s report, the National Federation of Independent Businesses and U.S. Chamber of Commerce said that the House health reform bill will not lower health care costs for small businesses. The organizations said the inclusion of an employer mandate to provide health coverage, increased payroll taxes and the government-run insurance plan would harm small businesses and lead to increased unemployment, decreased wages and higher health insurance costs.

Read the U.S. Chamber’s [letter](#) to Congress and NFIB’s [critique](#) of the House bill.

Congress

Deal Clears Way for Committee Approval of Health Reform Bill Prior to Recess

Liberal and moderate House Democrats came to an agreement on July 30 on amendments that allowed the Energy and Commerce Committee to approve its health reform legislation on the next day. The final vote was 31-28. Five Democrats joined all Republicans in voting against the bill.

The agreement, which paved the way for the reform bill (H.R. 3200) to be cleared by the panel before House Members left Washington for the month-long August recess, added a package of amendments from committee liberals to the agreement Democratic leaders had made earlier in the week with the moderate Blue Dog Democrats. The so-called “unity amendments” would allow the government-run plan included in the bill to use a drug formulary to control prices; expand the Medicare accountable care organization pilot program to the Medicaid program; require the Centers for Medicare and Medicaid Services to simplify administrative procedures; permit the Medicare program to negotiate Part D drug prices; and restrict health plans participating in the exchange (including the public plan) from increasing premiums above a certain threshold without permission from the federal government.

All savings generated by the amendments will be used to make premiums more affordable for lower-income individuals who obtain their coverage through the insurance exchange. These premium reductions would offset the reductions in premium subsidies included in the original Blue Dog compromise. The committee approved the “unity amendments” by largely party-line votes.

Read the Committee’s press release following the bill’s approval [here](#).

Part of the agreement with several moderate Blue Dog Democrats was a commitment from House leaders to refrain from bringing the bill to the floor for a vote until after Congress returns from the August recess in order to provide lawmakers sufficient time to review the language. According to Rep. Mike Ross (D-AR), who led the negotiations for

the Blue Dogs, the compromise would reduce the overall cost of the bill by \$100 billion. Regarding the creation of a government-run plan, Ross said health care provider participation in the plan would be voluntary, that provider payment rates would be negotiated and not based on Medicare rates, and safeguards would be established to ensure a level playing field for private plans. The compromise also called for changes in the payroll tax for employers who fail to purchase insurance for their employees. Ross said under the deal, all employers with annual payrolls under \$500,000 would be exempt, and a payroll tax would phase in with the full eight percent tax beginning at payrolls of \$750,000. Additional elements of the agreement are delivery system reforms, the grandfathering of existing state insurance exchanges, the creation of state-based health coverage co-ops in addition to the public plan option, and an increase in the cap on premiums from 11 percent of income to 12 percent. The committee approved the Blue Dogs’ compromise amendment by a vote of 33-26.

Review the Blue Dog amendment [here](#).

While some additional amendments will be added to H.R. 3200 in September through a separate bill, House leaders will now begin the work of melding the bills approved by the Energy and Commerce, Ways and Means, and Education and Labor Committees for consideration by the full House this Fall.

Senate Committee Postpones Reform Action Until September

Senate Finance Committee Chairman Max Baucus (D-MT) said July 30 that his panel will not mark-up health reform legislation before the Senate recesses on Aug. 7. Despite enormous pressure from President Obama and Majority Leader Harry Reid (D-NV) to produce a reform bill as quickly as possible, Baucus and a bipartisan group of five other Finance Committee Senators have continued daily meetings over the past several weeks in order to craft a bipartisan agreement. According to members of this group, the key sticking points in negotiations center

on how to pay for the overall cost of the reform bill, ensuring that health insurance is affordable, and addressing the concerns of state governors regarding the additional costs associated with expanding Medicaid eligibility. The group has set a Sept. 15 deadline for having a proposal to present to the full Finance Committee. Also complicating negotiations is the concern Republican lawmakers have that the agreements they make with Baucus and other committee Democrats will not be honored in the anticipated House-Senate conference committee negotiations. On July 29, Sen. Mike Enzi (R-WY) said he would not sign on to any bipartisan agreement that comes out of the committee without a commitment from Democratic leaders that the agreements reached would be included in the final bill that is sent to the President.

CBO Delivers Sub-Trillion Health Reform Cost Estimate to Finance Committee

On July 29, Chairman Max Baucus (D-MT) said a preliminary estimate prepared by the Congressional Budget Office regarding health reform legislation the Finance Committee is drafting would cost less than \$900 billion over 10 years while providing coverage to 95 percent of Americans. He said the bill would reduce the federal budget deficit “by several billion dollars” in its tenth year, and the number of Americans with employer-sponsored coverage would increase. Baucus said the preliminary cost estimate does not include several provisions still being negotiated by lawmakers, and he cautioned that the CBO score does not indicate a deal on the package is imminent.

CBO: Savings From Medicare Council Proposal Only \$2 Billion

In a July 25 letter to House Majority Leader Steny Hoyer (D-MD), Congressional Budget Office Director Douglas Elmendorf wrote that enacting the Administration’s proposal to give the President broad authority to change the Medicare program by establishing an Independent Medicare Advisory Council (IMAC) would yield modest savings of \$2

billion over the 2010-2019 period. However, all of the savings would be realized in fiscal years 2016 through 2019, Elmendorf said. The White House sent the IMAC plan to Congress on July 17, but the plan has faced significant pushback from many industry stakeholders who disagree with the idea of having unelected, independent officials, appointed by the President, setting Medicare policy. As a result of the modest savings and the concerns raised by stakeholders, many experts believe the plan will not ultimately be included in health reform legislation.

Read Elmendorf’s letter [here](#).

Congressional Action This Week

The House adjourned for the August Recess on July 31. The Senate is expect to recess on Aug. 7. Lawmakers will return to Washington, following the Labor Day holiday on Tuesday, September 8th.