

Action on Health Reform Surges Forward Following August Recess

The return of Congress to Capitol Hill following the month-long August recess was marked by two significant health reform events. Over the Labor Day weekend, Senate Finance Committee Chairman Max Baucus (D-MT) released a proposal for comprehensive health reform, and on September 10, President Barack Obama addressed a joint session of Congress in order to reframe and jump-start the health reform debate following a bruising August recess, dominated (at least through media coverage) by raucous town hall meetings and sagging poll numbers.

Senate Finance Committee

Baucus' proposal, which he estimated would cost about \$900 billion over 10 years, calls for establishing a health insurance exchange, reforming the private insurance market by requiring health plans to offer coverage on a guaranteed issue basis, creating health insurance cooperatives to compete against private health plans, taxing high-value insurance policies, and encouraging the development of prevention and wellness programs.

Notably absent from Baucus' "framework" was a proposal to establish a government-run public insurance option. Baucus said he does not believe such a proposal could pass the Senate. Instead, the framework would authorize funding for the Consumer Operated and Oriented Plan (CO-OP) program to create non-profit, member-run health insurance companies to compete with private plans. Federal loans and grants would be provided to assist with start-up costs.

The [18-page proposal](#), which was circulated to the "Gang of Six," the group of Finance Committee Democrats and Republicans working to draft bipartisan legislation, also would require individuals to obtain health coverage by 2013. While employers would not be required to offer health coverage to employees, businesses with more than 50 full-time employees that do not offer health coverage must pay a fee for each employee who receives the tax credit for health insurance through an exchange.

Under the proposal, Medicaid eligibility would be expanded to those with annual incomes up to 133 percent of the federal poverty level beginning in 2014. It also would replace the scheduled 21 percent cut in Medicare physician payment rates in 2010 with a 0.5 percent increase.

The proposal would create a non-profit institute to conduct comparative effectiveness research and set a research agenda. The institute would be governed by a multi-stakeholder board and be funded with \$600 million per year drawn from mandatory appropriations, the Medicare trust funds, and a fee on health plans.

To help pay for health reform, Baucus' proposal would impose an excise tax of 35 percent on insurance companies offering high-value policies. The proposal also contains numerous provisions that would reduce Medicare and Medicaid spending by about \$500 billion over 10 years. The provisions include hospital and

physician value-based purchasing programs, payment changes to encourage the spread of accountable care organizations, payment penalties to help reduce the frequency of hospital-borne infections, reductions in hospital payments to account for productivity gains, and reductions in payments made to Medicare Advantage plans. The proposal also would levy fees on various segments of the health care sector based on market share: \$2.3 billion a year on drug companies, \$4 billion a year on device companies, \$6 billion a year on insurers, and \$750 million a year on clinical laboratories.

The Gang of Six continues to meet to discuss a compromise, and Baucus said he still believes a bipartisan agreement on reform is possible. However, he added that the committee must move ahead with legislation and would do so without Republican support, if necessary. Baucus announced his plan to release a formal reform proposal the week of September 14, which would then be considered by the Committee in a markup the week of September 21.

Obama Speech

In a speech before a joint session of Congress, President Obama attempted to regain control of the debate over health reform by addressing the key provisions he wants in a final reform package. He said the reform plan should provide coverage for the uninsured, provide additional protections for those currently with insurance coverage, and slow the growth rate of health care costs. Obama said reform legislation should require private insurance plans to offer coverage regardless of an individual's pre-existing medical conditions. He said he supports a requirement that individuals purchase insurance coverage and that most businesses be required to offer coverage.

The President said he would not sign a bill that adds to the federal deficit, adding that much of reform could be paid for by eliminating fraud and abuse in the Medicare and Medicaid programs and increasing the efficiency of health care.

The President said he supports including a public health plan option in reform legislation, claiming it would "keep insurance companies honest." While acknowledging the disagreement over how to best reform the health care system, he called on Congress to act quickly to help Americans obtain affordable health care. Notably, while the President drew a line in the sand on his insistence on deficit neutrality, he refused to issue a similar warning as to the inclusion of a public option.

Finally, the President addressed medical malpractice, saying he was ordering the Department of Health and Human Services to launch state-level demonstration projects to test alternatives to using the judicial system to resolve malpractice suits. The President said, "The time for games has passed. Now is the season for action. Now is when we must bring the best ideas of both parties together and show the American people that we can still do what we were sent here to do. Now is the time to deliver on health care."

Response to the speech broke down along partisan lines. Sen. Debbie Stabenow (D-MI) said the speech was "exactly what we needed," adding that it "laid out the specifics" and "took on the critics very courageously, and called us to a higher purpose by really discussing how this happens to people in America." Sen. Evan Bayh (D-IN) characterized the President's speech as "an invitation to compromise"

and said he was pleased Obama is “adamant about not signing a bill that was going to heighten the deficit ... I think that’s a major concern for people.”

Rep. Charles Boustany (R-LA), a physician, delivered the formal Republican response to the speech. He said his party is willing to work with the President provided the reform package lowers costs, improves the quality of the health care and is affordable. “It’s clear the American people want health reform, but they want their elected leaders to get it right,” Boustany said, adding that “it’s time to start over on a common-sense, bipartisan plan focused on lowering the cost of health care while improving quality.” Other responses to the speech indicated that Obama did not convince Republicans to support his plan. House Ways and Means Committee Ranking Member Dave Camp (R-MI) said that the speech “laid out a false choice between his ObamaCare plan and no plan,” and that the President has “decided to ignore the American people, moderates in his own party and Republicans who have all agreed that a government-run plan is a bad idea.”

The text of the President’s speech is available [here](#).

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