

Bill Downey (12th of August, 2009)

WHY THIS STATEMENT WAS WRITTEN

Many people who are in favor of health reform are not clear about what the president is seeking and what is contained in the bills that are before congress. This confusion plays into the hands of those who are opposed to the reforms and especially to those who are using scare tactics to frighten people into opposing the reforms,

THE POSITION OF THE PRESIDENT

Sources : 1) his speech on June 15th to the American Medical Association; 2) his letter to the Houses of Congress on June 2 outlining his fundamentals on the issue.

In his AMA speech the president stressed both the need to control the growing cost of medical care which he said threatens the economy and the need to cover the over 40 million U.S. Americans who are now without a health care plan.

He made a special point of stressing that the reforms he has proposed will not change the health care plans for those who are happy with what they now have. He said this early on in the AMA speech:

„I know that there are millions of Americans who are content with their health care coverage – they like their plan and most importantly they value their relationship to their doctor. They trust you. And that means that no matter how we reform health care, we will keep this promise to the American people: If you like your doctor, you will be able to keep your doctor. If you like your health care plan, you’ll be able to keep your health care plan. Period. No one will take it away, no matter what. „

A few minutes later in the AMA speech, President Obama repeated this promise with the words:

„So just in case you didn’t catch it the first time, let me repeat: If you like your health care system and your doctor, the only thing reform will mean to you is your health care will cost less. If anyone says otherwise, they are either trying to mislead you or don’t have their facts straight.“

Immediately following the above quoted sentences, the president outlined the heart of his plan:

A HEALTH INSURANCE EXCHANGE

The president described this exchange as follows: „This exchange will allow you to one-shop for a health care plan, compare benefits and prices, and choose a plan that’s best for you and your family – the same way, by the way, that federal employees can do, from a postal worker to a member of Congress“

He went on to stress his conviction that among the possibilities offered in the exchange there should be a „public option“ to „inject competition in the health care market so that we can force waste out of the system and keep insurance companies honest.“

The president went on to say that his goal is to put affordable health care within the reach of millions of Americans. He added:

„And to help ensure that everyone can afford the cost of a health care option in our exchange, we need to provide assistance to families who need it. That way there will be no reason at all for anyone to remain uninsured.“

While admitting that his plan would provide many new customer to private health insurers he stressed that under it the practice of denying coverage on the basis of preexisting conditions would be forbidden.

„The days of cherry-picking who to cover and who to deny, those days are over,“ the president remarked. He told of his mother dying of cancer and having to worry as to whether her insurer would claim her illness was a preexisting condition so it could get out of providing coverage.

„Changing the current approach to preexisting conditions is the least we can do... for my mother and for every other mother, father, son and daughter, who has suffered under this practice, who’ve been paying premiums and don’t get care,“ he asserted.

As a further means of controlling health care costs, the president proposed to strengthen the so-called Medical Payment Advisory Commission (PAC), set up he said by a Republican congress to supervise Medicare and thereby eliminate waste. It would make broad decisions and these decisions could only be vetoed by the Congress. In his letter of June 2, the president called this plan and the public insurance option central to

his medical reform efforts.

HOUSE OF REPRESENTATIVES PLAN

The plan of the House of Representatives, proposed in House of Representatives bill HR3200, was developed in joint meetings of three House committees and „reported out“ to the House on June 19th. The House has not yet taken action on the plan. The three committees were Ways and Means, Energy and Commerce, and Education and Labor. The vote was strictly along party lines, ie. all Democrats on the three committees voted for the bill, all Republicans voted against it. The bill follows rather closely the principles set forth by President Obama and reported in the first section of this paper.

A summary of the bill prepared by the joint committees stresses as did President Obama: „The bill builds on what works in today’s health care system and fixes the parts that are broken. It protects current coverage – allowing individuals to keep the insurance they have if they like it – and preserves choice of doctors, hospitals, and health plans.“

The Health Insurance Exchange is at the heart of the bill. The summary states that the Exchange „creates a transparent and functional marketplace for individuals and small employers to comparison shop among private and public insurers. It works with state insurance departments to set and enforce insurance reforms and consumer protections, facilitates enrollment, and administers affordability credits to help low- and middle-income individuals and families purchase insurance.“

The public health insurance option is central to the House plan. The summary notes that option will broaden the choices especially in many parts of the country now dominated by one or two private insurers. It stresses also that public plan „will be subject to the same market reforms and consumer protections as other private plans in the Exchange and it will be self-sustaining – financed only by its premiums.“

Under the House plan insurance companies would no longer be allowed to refuse to sell or renew policies due to an individual’s health conditions or exclude coverage of treatments for pre-existing health conditions. The insurers would be prohibited from setting lifetime or annual limits on benefits and their ability to charge higher rates due to health status or gender would be limited.

Everyone would be expected to obtain health care insurance and those who refused would be charged a penalty. But for those earning less than 400 per cent of the federal poverty level (at present \$43,000 for an individual or \$88,000 for a family of four) there would be so-called availability credits on a sliding scale. Those with income under 133 per cent of the federal poverty level would get free care under Medicaid which would be 100 per cent federally financed.

Other provisions would reduce waste and encourage more efficient use of health care resources.

The House plan would obviously cost considerable sums of money. The Congressional Budget Office, a government agency which advises the Congress on spending, has estimated the cost at one trillion dollars over 10 years. But, as President Obama pointed out in his AMA speech, spending on health care under the present system increases each year and in a decade U.S. Americans will be spending 20 per cent of their income for health care unless changes are made. U.S. annual spending for health care is now \$2.4 trillion and without changes will rise to \$4.3 trillion in 2017.

On that basis the one trillion dollars in the House plans looks like a bargain. The estimate is that two-thirds of the sum would be covered by savings on presently budgeted federal health care funds. The House bill proposes to raise the shortfall with a graduated surtax on upper income earners.

SENATE PLAN

The Senate's plan is in reality two plans! This situation has come about because unlike the House of Representatives, the financial aspects of the health care proposal are being put forth not by the Senate Health, Education, Labor and Pensions (HELP) Committee which drafted the plan but by the Senate Finance Committee. Further the Finance Committee has not limited itself to financial questions but is making its own suggestions on the nature of the reform.

The HELP committee plan was sent to the Senate on July 15th. It has not yet been acted upon by the full Senate. The Democratic majority of the committee noted that

160 amendments offered by the minority Republican group on the committee are contained in the final draft. Like the president in his AMA speech and the authors of the House bill, the HELP committee stresses that persons who like the health insurance they now have get to keep it. „The legislation builds on the existing employer-based system and strengthens it,“ the committee says.

The HELP bill differs from the House bill primarily in the location of the exchange where those seeking a health plan can pick and choose. HELP proposes that an exchange they call it a „Gateway“ - should be set up in each state. The Federal government would provide grants to states to enable them to set up what are called „Affordable Health Benefit Gateways“ If a state failed to set up its Gateway, the Secretary of Health and Human Services would set up the Gateway for that state. Like the House bill the HELP plan will provide financial help to individuals to buy health insurance on a sliding scale to those making less than 400 per cent of the government’s poverty level. Those under 150 per cent of the poverty level would be covered by Medicaid.

As in the House bill, the HELP plan provides for a public option which it calls „The Community Health Insurance Option“. Like private options it would be available in the state Gateways. The HELP committee statement comments: „The bill also includes a strong public option that responds to the wishes of the American people to have a clear alternative to for-profit insurance companies.“

Also like the House bill, the HELP plan provides that „no American can be denied health coverage because of a preexisting medical condition, or have coverage fail to help them when they need it most. No American will ever again be subject to annual or lifetime limits on their coverage or see it terminated arbitrarily to avoid paying claims.“

The Congressional Budget office has estimated that the HELP plan will cost no more than \$615 billion over 10 years. Because the financing was left up to the Senate Finance Committee, no plan for raising this money is included in the HELP legislation.

The Senate Finance Committee has yet to make its suggestions for financing but published reports of the committee deliberations suggest that it will call for the elimination of the public option and a dropping of any requirement that employers offer their workers a health plan while still requiring all people to have health care. One

suggestion may be the encouraging of health care co-operatives. It may be suggested that financing may come from a tax on the insurance plans that exceed \$25,000 in value.

Bill Downey - all questions to downeys@t-online.de