



# Bryan Cave Health Reform Update

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Issue 20

## Congress

### Senate Finance Committee Approves Reform Bill

The Senate Finance Committee approved comprehensive health reform legislation by a 14 to 9 vote today, bringing to a close an extended, multi-day markup of the bill. Senator Olympia Snowe (R-ME) joined all panel Democrats in approving the measure, but said her vote did not forecast future support for a health reform bill. The Finance Committee bill must now be melded with health reform legislation approved by the Senate Health, Education, Labor and Pensions Committee in July. This process will be driven primarily by the Senate Democratic leadership. Floor action is expected within the next two weeks and debate could require at least three weeks.

In an October 7 letter to Finance Committee Chairman Max Baucus (D-MT), the Congressional Budget Office (CBO) said the amended health reform proposal produced by the committee would cost \$829 billion over 10 years and reduce the federal deficit by \$81 billion over the same time period. According to CBO, 94 percent of Americans would have health insurance under the proposal. To offset the cost of reform, the mark would reduce Medicare and Medicaid spending by \$404 billion over 10 years, including \$117 billion in spending cuts to the Medicare Advantage program, and would raise \$201 billion by taxing so-called “Cadillac” health insurance plans. CBO estimated that by 2019, the number of non-elderly individuals who are uninsured would be reduced by about 29 million, leaving about 25 million

non-elderly residents uninsured – one-third of whom would be illegal immigrants. CBO also said approximately 23 million individuals would purchase their own coverage through the new insurance exchanges the plan would create. Under the proposal, roughly 14 million more individuals would be enrolled in Medicaid and in state Children’s Health Insurance Programs than projected under current law. The cost estimate is lower than the \$900 billion Baucus and President Obama had set for health reform legislation. Coupled with the health insurance coverage estimate of 94 percent, the analysis is likely to provide momentum for the plan.

View the CBO cost estimate [here](#).

### House Bill Sent to CBO for Scoring

On October 8, House Speaker Nancy Pelosi (D-CA) announced she had sent health reform legislation (H.R. 3200) to the Congressional Budget Office for a cost analysis to be generated prior to floor consideration. Pelosi said the legislation sent to CBO includes multiple versions of the rate structure for a government-run insurance plan. The Speaker said CBO will score the bill with provider reimbursement rates based on Medicare plus five percent, as well as several variations based on negotiated rates. “I think it is very clear from our conversations with the Members, the votes are there for a public option,” Pelosi said. According to a Democratic aide, the alternatives to the Medicare-based rates include:

- the public option approved by the Energy & Commerce Committee, which requires the federal government to negotiate rates with providers;

- the negotiated-rates public option plan coupled with a bigger expansion of Medicaid, which would increase the income threshold for eligibility from 133 percent of the federal poverty level (FPL) to 150 percent of FPL;
- the negotiated-rates public option with a trigger for Medicare-based rates if costs continue to rise; and
- the negotiated-rates public option with a ceiling on rates based on average private sector rates.

While it is unclear when CBO will produce its cost estimates, Majority Leader Steny Hoyer (D-MD) said on the House floor last week that the earliest the health reform bill would reach the floor is the final week of October. “I think that would be the earliest, as a practical matter, that we could put the bill on the floor with the notice that we have indicated we’re going to give and of course with a CBO score,” Hoyer said. Hoyer and Pelosi have said the final bill will be available for a 72-hour period before it comes to the House floor.

### **CBO Analysis Finds Malpractice Reform Would Save \$41 Billion**

Medical malpractice reforms would save Medicare, Medicaid and other federal programs \$41 billion over 10 years and generate an additional \$13 billion in federal income taxes, according to a CBO analysis prepared for Senator Orrin Hatch (R-UT). The analysis was based on a package of reforms that include a \$250,000 cap for non-economic damages, a \$500,000 cap on punitive damages, and a statute of limitations, among other initiatives.

The analysis is available [here](#).

## **White House**

### **Obama Praises Health Reform Progress**

In his weekly radio address, President Obama praised the progress made by the Senate Finance Committee in its health reform effort. Obama said the committee’s bill would “bring greater security” to

Americans by including new insurance protections “without adding a dime to our deficits.” He added that after a “vigorous national debate” an “unprecedented consensus” is emerging that “includes the best ideas” from across the political spectrum and includes everyone “from doctors and nurses to hospitals and drug manufacturers.” Obama also highlighted the support for health reform from notable Republicans, including California Governor Arnold Schwarzenegger, New York City Mayor Michael Bloomberg, Senate Majority Leaders Bob Dole and Bill Frist, and former HHS Secretary Tommy Thompson. The President said a “historic moment” is at hand to address a problem “that has plagued us for far too long.”

The entire address is available [here](#).

## **Industry**

### **Report: Finance Bill Would Increase Insurance Costs For Individuals, Families, and Businesses**

Family health insurance premiums will cost at least \$4,000 more than originally projected under the Senate Finance Committee’s reform package, according to a PriceWaterhouseCoopers report prepared for America’s Health Insurance Plans (AHIP). AHIP intends to use the findings in new advertisements to be aired this week. The report examined four provisions in the committee’s mark: the individual mandate, a new tax on “Cadillac” policies, Medicare and Medicaid spending reductions, and new fees on the health care sector. The study found that the committee’s proposal would increase the cost of private insurance for individuals, families and businesses above the rate of increase that would occur absent any reform. AHIP contends the committee’s proposal does not do enough to encourage young, healthy people to join the insurance pool. “Market reform enacted in the absence of universal coverage will increase costs dramatically for many who are currently insured by creating a powerful incentive for people to wait until they are sick to purchase coverage,” the report noted. The

White House and Congressional Democrats criticized the insurance industry-sponsored report as self-serving. Referring to the authors of the report, White House health advisor Nancy-Ann DeParle said, “Those guys specialize in tax shelters. Clearly this is not their area of expertise.”

The report is available [here](#).

### **Bishops Critical of Reform, Urge Changes**

In an October 8 letter to Congressional leaders, the United States Conference of Catholic Bishops said it will oppose health reform legislation “vigorously” if the bishops’ main concerns are not met. They believe that no one should be forced to pay for or participate in an abortion, that health care should be affordable and available to the poor and vulnerable, and that the needs of legal immigrants should be addressed. “We sincerely hope that the legislation will not fall short of our criteria,” the letter says. “However, we remain apprehensive when amendments protecting freedom of conscience and ensuring no taxpayer money for abortion are defeated in committee votes.”

Amendments offered by Senator Orrin Hatch (R-UT) during the Senate Finance Committee’s markup designed to explicitly state that the current ban on federal funding for abortions would apply to all aspects of health insurance in the bill were defeated.

The bishops’ letter can be read [here](#).

### **AFL-CIO Continues Push for Public Option**

The AFL-CIO is mobilizing in support of the public health insurance option by lobbying Congress, organizing letter-writing campaigns and sponsoring a “call-in day” to have their members phone their Senators to explain what provisions should be included in the health reform package. AFL-CIO unions from 27 states delivered approximately 42,000 letters to Capitol Hill on October 7 and 8. In addition, union members made more than 20,000 phone calls to encourage Senators to support legislation that does not tax health benefits, guarantees coverage for all Americans, includes a public insurance option, and

requires employers to pay their fair share of health care costs.

Additional details on the AFL-CIO’s efforts are available [here](#).