



Amended Baucus Bill: Good Politics, Bad Policy?

By John Reichard, CQ HealthBeat Editor

October 2, 2009 -- Thursday's efforts by the Senate Finance Committee to prepare health overhaul legislation for Senate floor action gave Democrats breathing room politically by weakening penalties for failing to buy health insurance, but fewer uninsured Americans are expected to gain coverage as a result.

In addition, insurers complain that fewer young people with low health costs can be expected to sign up for benefits, raising premium costs for those who do obtain coverage through new health insurance exchanges that would be created by the legislation.

And a new Medicare commission created to streamline the program turns out to exempt much of the health care industry from any cuts it recommends in the next decade.

Republicans add that the commission's recommendations will lead to seniors paying higher premiums for their Medicare prescription drug benefits.

Policy analysts do say, however, that an amendment by Sen. John D. Rockefeller IV, D-W.Va., to continue the Children's Health Insurance Program will assure good health coverage for children until health insurance exchanges are up and running for a while.

The panel voted 22-1 late Thursday to accept an amendment by Charles E. Schumer, D-N.Y., and Olympia J. Snowe, R-Maine, that would provide penalty exemptions for taxpayers who cannot find health care coverage at 8 percent of their adjusted gross incomes. It also would ease the impact of penalties by phasing them in gradually.

Insurers released statements Friday emphasizing the importance of an effective mechanism to ensure compliance with an expected mandate in overhaul legislation that individuals purchase coverage.

"These changes make it much more likely that people will go without coverage, and history has shown that this will lead to significantly higher premiums for all policy holders," said Robert Zirkelbach, spokesman for America's Health Insurance Plans (AHIP).

An AHIP "fact check" released Friday states that "without an enforceable personal coverage requirement that brings everyone into the system, market reforms may adversely impact those who are currently insured, causing premiums to skyrocket. Studies show that states that have imposed guarantee-issue and rating reform laws in the absence of a personal coverage requirement have seen a rise in insurance premiums, a reduction of individual insurance enrollment, and no significant decrease in the number of uninsured."

"It's one of the most serious problems that's come out of the Senate Finance Committee markup," said another managed care industry executive. With lesser penalties, younger people who are better insurance risks won't buy coverage while sicker people who need health care will buy it in relatively large numbers. The result will be higher premiums that, in turn, will lead to growing complaints about the cost of private insurance and greater pressures for a public plan and single-payer health care, the executive said.

The executive said he does not expect the problem of having fewer good risks in the insurance pool to change the minds of Democrats on the Senate Finance Committee who will vote in coming days on the Baucus overhaul, nor is he optimistic about that happening in Senate floor action. "I, for one, am not holding my breath," the executive said.

Meanwhile, the Baucus proposal as amended appears to exempt for 10 years hospitals, home health agencies and some physician groups from any reimbursement cuts recommended by a new Medicare commission created to help streamline the program. A Rockefeller amendment says that the panel could recommend cuts to subsidies for premiums paid for Medicare prescription drug and Medicare private health plan premiums.

Republican Sen. Charles E. Grassley of Iowa said the amendment was offered "in order to add back \$11 billion in Medicare cuts that were lost because of the special carve-out from the proposed Medicare Commission's authority over spending for hospitals in the pending reform legislation."

He added, "The special exception for hospitals was agreed to in secret negotiations last summer. The overall committee bill was short the \$11 billion for the hospital deal after the Congressional Budget Office (CBO) this week provided its score for

the hospital carve-out."

Rockefeller's office had no immediate comment.

Another Rockefeller amendment adopted by the committee that would extend the life of the Children's Health Insurance Program (CHIP) drew praise from outside analysts and child health advocacy groups. The Baucus proposal originally would have required families of children in CHIP to get coverage instead through plans offered by new insurance exchanges. The Rockefeller language continues CHIP through 2019.

"By continuing Medicaid for children and CHIP for several years, the amendment provides states with the time needed to get the new exchanges up and running and to make sure that in practice they can do as well as Medicaid and CHIP in offering strong affordability protections and decent benefits to children," said Joan Alker, co-executive director of the Center for Children and Families at Georgetown University's Health Policy Institute.

The CHIP amendment saves an estimated \$15 billion or more over 10 years, money that child health advocates say would go in part to boost efforts to enroll uninsured children in the program. Rockefeller noted in a statement Friday that the money also would help to pay to exempt certain workers in risky occupations who pay high premiums from a new excise tax on high-cost health insurance plans.

Other Rockefeller language accepted in the markup "is designed to protect coal miners, first responders and other high-risk workers" from the excise tax and the unrelated CHIP language helps pay for that change, the West Virginia senator noted. One reason the CHIP amendment saves money is that states have to help pay for that program.

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