

*Thursday, June 25, 2009*

## This Week in Health Care Reform

Health Care Reform news was spurred this week by financial considerations, particularly those surrounding projected costs for the Affordable Health Choices Act (AHCA), which is the Senate Health, Education, Labor and Pensions (HELP) Committee's government plan. Initial cost projections for the AHCA were higher than what was widely expected, prompting discussion of both proposed funding mechanisms and less costly government plan alternatives. Another threshold issue, an individual mandate, remains a critical negotiating point.

### Public Plan

#### *Senate Side Delays*

The two Senate committees drafting health care reform legislation hit a snag this week, largely due to Congressional Budget Office (CBO) estimates of the plan cost. As a result, the Senate Finance Committee will delay mark-up of health care reform legislation, originally slated to begin June 22, until after the July 4th recess. Chairman Max Baucus (D-MT) remains committed to passing a bipartisan bill, working closely with ranking member Sen. Grassley (R-IA). Sen. Conrad's "co-op" alternative is being seriously considered (see below).

At the same time, the Senate HELP Committee began mark-up of its bill, the Affordable Health Choices Act. Talks between Democratic and Republican members of the panel have become increasingly fractious.

### Public Plan Alternatives

#### *Co-op and Health Care Solutions Group*

One alternative to a government plan, the "co-op" alternative, has been positioned by supporters as a bridge between government and non-government options. The co-op alternative, led by Sen. Kent Conrad (D-ND), continued to gain traction on both sides of the aisle. The plan would call for the creation of nonprofit health cooperatives in lieu of public health insurance options. Said Sen. Baucus, "The Conrad approach has got legs...it's quite viable."

On the House side, Rep. Roy Blunt (R-MO), chairing the Health Care Solutions Group, released an alternative to the House Democratic plan that he "hopes will receive bipartisan support."

### Financing the Plan

Perhaps the most significant Health Care Reform related news of the week was the CBO's preliminary scoring of the Senate HELP Committee's plan. The CBO projected that the plan would cost taxpayers \$1 trillion, before the inclusion of additional provisions. The CBO also estimated the plan would cover 16 million uninsured, and result in 23 million Americans changing their source of coverage.

There were also indications that one mechanism to help defray the costs of funding Health Care Reform - the taxing of benefits - might ultimately be opposed by Sen. Chris Dodd (D-CT), who is sitting in for Sen. Kennedy (D-MA) on the Senate HELP Committee. At a news conference on Tuesday, Sen. Dodd told reporters, "I'm not satisfied that's necessary." The labor movement is also opposed to taxing benefits.

Balancing news of a potential opposition to the taxing of benefits, the President proposed savings through a cut to Medicare benefits, including limiting the growth of Medicare fee for service payments and cutting subsidies for hospitals that treat uninsured patients. The President's proposal also calls for reducing payments for drug companies that serve Medicare recipients. These cuts are projected to save more than \$300 million over 10 years.

### **Individual Mandate**

Lawmakers continue to consider the prospect of an individual mandate. Sen. Dodd said that he is considering this idea, with the caveat that exceptions be made for people below a certain income level. Sen. Grassley (R-IA) indicated that there is a bipartisan consensus to having an individual mandate.

### **Additional Activity**

Bipartisan Policy Center: Off Capitol Hill, Former Senator Majority Leaders Howard Baker (R-TN), Tom Daschle (D-SD) and Robert Dole (R-KS) unveiled a bipartisan health care reform proposal organized around four "pillars" of reform.

### **Looking Ahead**

Mark-up of the Senate bill by the HELP Committee will continue until the end of the month, with the Senate Finance Committee to unveil its bill and begin mark-up at the beginning of next month, following the July 4th recess. Drafts of the House bill are also set to be unveiled by the end of the month, with financial details to follow soon after.

If you have questions, please contact your SML Account Manager.

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