

Health Care Reform Key Contacts

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Health Reform Supporters Divided On Key Specifics

On Wednesday, September 9, President Obama will discuss health care reform before a joint session of Congress. During this address, the President is expected to detail what he wants accomplished with health care reform and explain why those issues are important. Until this time, the Administration has offered guiding principles for lawmakers but left the heavy lifting and specific policymaking to Congress. In addition to detailing specifics, in delivering his address, the President has the tough job of navigating through certain "hot button" issues and fragile dividing lines drawn by those who support health care reform.

On the one hand, President Obama must placate lawmakers who either oppose or desire to limit the scope of a government-run public option. For example, the fiscally conservative Blue Dog Coalition – that, in July, successfully negotiated with House Energy and Commerce Committee Chairman Henry Waxman to allow doctors and other health care providers participating in a government-run public plan to negotiate their own payment rates rather than be compelled to receive Medicare rates – remain committed to their approach. Without the deal struck with Chairman Waxman, the Blue Dogs would have been able to hold up the House bill in Committee. The President also must reassure moderate and conservative Democrats who have grown increasingly wary of the political ramifications of passing a health care overhaul that the public views as being too liberal. Among Republican negotiators in the "Gang of Six," Senate Finance Committee (SFC) members, Charles Grassley (R-IA) and Michael Enzi (R-WY), last week expressed their continued support for bipartisan efforts. However, neither Senator Enzi nor Senator Grassley supports a public option. Notably, a draft health care reform proposal circulated on September 5, by Senator Max Baucus (D-MT), chairman of the SFC, to his "Gang of Six" colleagues did not contain a government-run public option.

On the other hand, the President is faced with lawmakers who adamantly support the inclusion of a public plan in health reform legislation. Last Thursday, the Congressional Progressive Caucus, the largest non-party caucus in Congress with 83 declared members working to advance progressive issues and positions, sent President Obama a letter stressing the urgency of health reform. In the letter, the group emphasized that any health care bill that does not provide, at a minimum, a public option built on the Medicare provider system and with reimbursement based on Medicare rates would be unacceptable. In the letter, the group stressed that "[a] health reform bill without a robust public option will not achieve the health reform this country so desperately needs. We cannot vote for anything less." House Speaker Nancy Pelosi also continues to emphasize that a public option is essential to health care reform.

With so many lawmakers at odds on a key specific component of health care reform, it is unclear how, and to what extent, President Obama will address this issue on Wednesday and bridge the divide among supporters of health care reform. What the Administration has made clear is that the President can no longer allow Congress to be the chief architect and spokespersons for the overhaul of a health care system in which so many have a deeply vested and often personal interest. Although President Obama is taking control of the health care messaging and will, in his clearest pronouncement to date, set forth those specific measures which must be included in a reform bill that he is willing to sign, he is not expected to draw a line in the sand with respect to the public option.

Whatever course is set, it seems clear that the President will have to convince the American people and a sufficient number of lawmakers in both the House and the Senate to vote in favor of a health reform plan which will bear the undeniable mark of the President of the United States.

Baucus Pushes Insurance Industry Fee

As the nation awaits President Obama's address to Congress on Wednesday, Senator Max Baucus (D-MT), chairman of the Senate Finance Committee and member of the "Gang of Six" who have been working through the recess to complete a bi-partisan health reform bill for Senate consideration, is promoting a fee that would be levied on health insurers. Under the Baucus proposal, the fee would be assessed to help pay for coverage of the uninsured.

The six-member subcommittee plans to meet Tuesday, September 8, to gather the various pieces of the legislation that they have worked on throughout

the recess, and will likely take up the Baucus industry fee concept as well. Baucus' plan appears to have additional components that might be included as an independent proposal sent to the Finance Committee if the bi-partisan effort falls short in the coming week. These apparently include a determination not to push a "government plan" but to seek to establish co-ops and to lower the overall cost of insurance by subsidizing coverage available through health insurers and broadening the scope of that coverage. Still at issue is whether lowering the cost of insurance will have any impact on the overall cost of health care.

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Tri-Committee Bill Fills Medicare Donut Hole But Premiums Will Increase

According to the Congressional Budget Office (CBO), the House health reform legislation known as the Tri-Committee bill will re-work prescription drug coverage for Medicare beneficiaries to reduce their out-of-pocket spending. The House Tri-Committee bill proposes to eliminate the “donut hole,” the point beyond which the costs of prescription drugs are paid solely by Medicare Part D plan enrollees. The CBO projects that, by providing drug coverage for the many Medicare beneficiaries who currently hit the donut hole, the overall cost of the coverage will increase for all Medicare beneficiaries with prescription drug coverage under Part D.

The current approach was an attempt by Congress to provide drug benefits under Medicare at a lower cost

by building in an annual gap in coverage (i.e., the “donut hole”) which, when reached, requires payment by the Medicare beneficiary for a certain dollar amount of prescriptions drugs before coverage for drug costs would resume. Under the House Tri-Committee bill, the CBO calculates that Medicare drug coverage premiums will increase 5 percent in 2011 and will increase more than 20 percent over the next decade. Since there also are many seniors who never reach the donut hole, these individuals will thus see their premiums increase with no appreciable benefit. However, the CBO’s analysis confirms that the Tri-Committee bill reflects the standard approach to pricing prescription drug benefits found in the insurance industry, as a whole.

Has Health Reform Put A Negative Spotlight On Health Insurers?

In our *Health Care Reform Weekly Update* published on August 24, 2009, we reported that the House Energy and Commerce Committee began an inquiry into executive compensation and other business practices of the nation’s largest health insurers. On August 17, the Committee issued letters to 52 health insurance companies seeking detailed information about their business practices, with responses to requests pertaining to executive compensation due this past Friday, September 4. Since our August 24 Update, the House Energy and Commerce Committee decided to seek, from six of the 52 health insurers subject to the August 17 request, additional information pertaining to the alleged practice of insurer termination of the coverage of small businesses when their employees become ill and the amount that their health insurance claims rise.

In an unrelated inquiry, Representative Dennis Kucinich (D-MI), who chairs the domestic policy subcommittee of the House Oversight and Government Reform Committee, sent letters dated August 26, 2009 to CEOs of some of the largest health insurers asking them to testify at a September 17 hearing about “the nature, cost/benefit, and impact of administrative measures and protocols used by the health insurance industry to determine coverage.”

Most recently, on September 3, 2009, California Attorney General Edmund G. Brown Jr., announced that his office is launching an independent inquiry into how HMOs review and pay claims submitted by doctors, hospitals and other medical providers. The Attorney General indicates that this investigation is prompted by reports that California’s five largest

health insurance companies are denying insurance claims at rates of up to 39.6 percent. These recent investigations are in addition to the increasing public criticisms, regulatory actions and civil lawsuits against health insurers in recent years over the practice of rescission whereby health insurers retroactively cancel health coverage due to fraud in the completion of his or her application for health insurance.

Is it coincidental that health insurers are coming under such intense scrutiny at a time when they are considered by some lawmakers as thwarting reform efforts – most notably with their opposition to a government-run public plan – and characterized by others as the “villains” in a complex system of risks and rewards which many health insurers admit is in need of some fixing? Even though the government is charged with investigating allegations of wrongdoing or questionable business practices from a purely political perspective, does the assault on health insurers hurt or help the President’s health reform efforts? On the one hand, it appears that the Administration and Congressional supporters of health reform may be trying to tap into dissatisfaction with the insurance industry to build public support for health reform. On the other hand, one might question whether the Administration really welcomes this negative spotlight on health insurers at a time when the President is trying to build sufficient consensus around his health care reform priorities to pass legislation by year’s end.