

To: The Board of Directors, Three Parks Independent Democrats
From: Steve Max, Chair, Health Care Committee
Date: December 9, 2009
Re: Senate Health Care Plan

As of this morning, we have no details of the new Senate plan to “sideline” the public option while lowering the Medicare eligibility age to 55 and establishing a publicly negotiated but privately based plan similar to the Federal Employees Benefit Plan.

In my view, lowering the Medicare age can actually be a large step in the right direction; the loss of the public option at this stage should not be considered a defeat. The defeat actually came last Fall when the legislation was drafted.

As you are all aware, Three Parks endorsed the Single Payer approach, also known as Medicare for All, embodied in the Conyers Bill, HR 676. The Club’s resolution also stated that if the Conyers bill couldn’t pass, we would support a strong public option. We then launched a very active campaign to both build support for Single Payer and strengthen the public option. We pressed these positions in meetings with Congressman Rangel and Senator Schumer.

As the legislation emerged, we saw the public option so drastically diminished that it became a major distraction from more significant parts of the legislation, such as subsidies, employer exclusions, and Medicare cuts. When the public option was first discussed among liberal organizations over two years ago, it was presented as a broad plan that would be open to all Americans and could even subsume Medicare and Medicaid. It was to be not-for-profit and enjoy the cost efficiencies inherent in Medicare and other public plans around the world. It would therefore have offered better benefits at lower premiums than private insurance with which it would compete.

None of this was to be. To placate the insurance industry, and despite public opinion that consistently favored a single payer system, what emerged in the House and Senate legislation was something very different. As noted in recent memos, eligibility was limited to uninsured people and some lower-wage working people. The costs and thus the premiums were deliberately and unnecessarily inflated. The “level playing field” provisions prevented benefits from exceeding those offered by private insurers. As a result, the Congressional Budget Office projected that the public option would cost more than private insurance, attract a “less healthy pool of enrollees,” and have a very low participation rate. The CBO projected that the House version, if passed, would attract about six million enrollees and the Senate version three to four million. The entire under-65 population is about 246 million; the public option would have enrolled less than two percent of all those people.

In our Club’s discussions, we noted that there were two approaches to getting a Single Payer system. One was to enact it all at once by passing the Conyers Bill; the other was to gradually but steadily lower the Medicare eligibility age until everyone was in the system. If the new Senate plan turns out to be a step in that direction, it could be a very good thing. The danger is that the for-profit insurance industry, which always gets its way, will demand that the cost of buying into Medicare be set high enough to make it undesirable -- as was done with the public option. The real fight now is not to restore the already diminished public

option, but to make Medicare affordable, attractive and open to the entire 55 to 64 year age group. Substantial federal subsidies will be required for this to happen. This age group numbers about 36 million people, of whom an estimated 5 million have no health insurance.

There are two short-term advantages to lowering the Medicare age. First, there will be some increase in early retirement, which will help the unemployment situation. Second, bringing the baby boomers into Medicare now will increase the number of voters with an immediate interest in defending the system from the deficit hawks inside and outside the Administration.

The current Senate bill includes cuts of \$436 from Medicare, CHIP and other health programs, as well as an additional \$72 billion to be cut from community living assistance programs. We saw an example of this on December 6, when Senate Democrats included cuts of \$43 billion in Medicare payments to home health care agencies -- a gift to the nursing home industry that opposes community living. The Baby Boomers can be a powerful voice to stop these cuts.

Indeed, the recent phase of the campaign for the public option has served the function of the magician's handkerchief, which is waved in the air to focus attention on his left hand while he deftly pockets the coin from his right. We now need to emphasize passing what is best in the bill, including lowering the Medicare eligibility age, and stop hankering after a public option that, for all intents and purposes, is neither public nor an option.