

The New House Health Care Bill.txt

To: The Board Of Three Parks Independent Democrats
From: Steve Max, Chair Health Care Committee

Date: 10/30/09

Friends,

Here is my own very quick assessment of the new House majority bill H.R. 3962.

1) The Public Option took another major slamming with the change from previous House versions

regarding provider reimbursement rates. We in Three Parks have been warning for months that

the Public Option was on track to cost more than private insurance. With the rate change, it is now

official. The Congressional Budget Office says,

"That estimate of enrollment reflects CBO's assessment that a public plan paying negotiated rates would attract a broad network of providers but would typically have premiums that are somewhat higher than the average premiums for the private plans in the exchanges."

When we remember that the new bill still contains the so called "Level Playing Field" provision

about which we in Three Parks objected to both Senator Schumer and Congressman Rangle, we

have a public option that is not allowed by law to provide better benefits than private companies in

the new insurance exchanges, but will charge more for the same benefits.

The change in reimbursement rates is a difficult matter. In previous versions, the public option

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was to pay providers at the Medicare rate. Now higher payments can be negotiated. We do want

higher reimbursements than Medicare pays. Providers are leaving the Medicare system at an

alarming rate and the Rural members of Congress are right than in some areas rates are far

below the national average. On the other hand, we had hoped that the Public Option would be a

better deal for consumers than private insurance.

Other factors raising the premiums in the public option include the requirement that a "contingency

fund" of unspecified size be established and that the startup funds must be repaid to the Treasury

over a ten year period. The previous provision that the Public Option would have to pay interest on

the startup funds appears to have been removed. The Club has raised these problems in meetings

with Senator Schumer and Congressman Rangel. The cost will be even higher if the Public Option

has to advertise to attract members because it was not made the default plan for people seeking

insurance.

The CBO projects that 6 million people will join the Public option. This is about 2% of the

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non-elderly population and a far cry from the universal single payer system advocated by Three

Parks.

2) On the positive side, new legislation will provide insurance subsidies for families with an income

400% above the poverty level. That would be an income of about \$88,000 for a family of four. The

subsidy on a sliding scale will average out to roughly \$5,500 per person. Families receiving

subsidies will be expected to pay about 11% of the family's income for insurance after the subsidy.

We can certainly support the millionaire's tax to pay some of the costs of the subsidies.

The employer mandate is welcome although it covers fewer employers than in previous versions,

only those with a payroll over \$500,000.

Children remaining on parents insurance policies through age 26 will be a major help.

Another step forward is raising the Medicaid eligibility level to 150% of the poverty level

Most important is the prohibition of discrimination based on pre-existing condition. My reading of

the bill indicates that this applies to all health insurance companies not just those in then

Exchange, but I could be wrong. Inexplicably, the CBO says that people in poorer

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health will be

attracted to the Public Option, something one would not expect in the absence of discrimination in

private plans. The CBO indicates that this will also contribute to higher Public Option premiums.

3) If the plan actually reduces the number of uninsured people from 50 million down to only 18

million as projected by the CBO, it will be a major accomplishment. The exclusion of

undocumented immigrants, however, is both foolish and inhumane for obvious reasons.

4) There are two potential land mines in the bill that could lose many votes for Democratic

candidates. Medicare spending per beneficiary, which has been rising at an average annual rate

of 7% over the last twenty years, is projected to rise at roughly 4% because of the bill. Overall

Medicare spending is expected to increase at two percentage points less annually in the next two

decades than in the previous two. This is difficult to account for with the impending retirement of

the baby boom unless benefits are to be cut. The second problem lies in the penalty that people

will have to pay for being uninsured -- 2.5% of adjusted (taxable) income (with top limits). This is

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certain to create a backlash among people who can't afford insurance even with subsidies, as

well as among younger people who don't feel that they need it.