

# US: Senate Finance Committee chair releases health care proposal

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Senate Finance Committee Chairman Max Baucus (Democrat, Montana) unveiled the draft of his “America’s Healthy Future Act of 2009” on Wednesday. The 10-year proposal, with a projected \$856 billion price tag, includes an individual mandate to purchase insurance, contains no requirement for employers to provide coverage, and does not include a “public option.”

Like the other versions of health care legislation to emerge from the House and Senate, it will be financed primarily through massive cuts to the Medicare and Medicaid programs. The bill goes the furthest, however, in developing the mechanisms whereby services for the poor, elderly and disabled will be slashed.

All the central elements of the Baucus plan have been broadly endorsed by the White House. The proposal would create the conditions for shifting the burden of health care more directly onto the backs of working people, allowing corporations and the government to shed costs.

In keeping with Obama’s proposals, Baucus pledged that the legislation “doesn’t add a dime to the deficit.” It protects the profits of the private insurers and pharmaceuticals while imposing token annual fees on insurance companies, drug manufacturers, clinical laboratories and medical device manufacturers.

The bill would authorize the set-up of an insurance “exchange” where individuals not receiving coverage from either their employer or a federal program could purchase coverage. The exchange would offer the option of a CO-OP, a “non-profit, consumer owned and oriented plan,” as one of its options. Such plans, already in existence, have not generally offered lower cost coverage.

Under pressure from Republicans and conservative Democrats, the Baucus plan has dropped the fig leaf of providing a public, government-run option as one of the alternatives in the exchange.

The bill contains a “Personal Responsibility Requirement,” mandating all US citizens and legal residents obtain coverage. Those who do not obtain coverage—either from their employer, a federal program, or by purchasing it

on the exchange—would be subject to an excise tax, unless they qualify for a waiver. The penalty would be applied as an additional amount of federal tax owed. Those falling below the federal poverty level (FPL) would be exempt.

For those whose modified adjusted gross (pre-tax) income (MAGI) is between 100 and 300 percent of FPL (\$10,830 to \$32,490 for an individual, \$22,050 to \$66,150 for a family of four), the penalty would be \$750 a year for individuals and a maximum of \$1,500 for families. For those with a MAGI above 300 percent of FPL, the penalty would be \$950 a year, or a maximum of \$3,800 for families.

Individuals and families would also be exempt—and likewise uninsured—if the lowest insurance option available to them were equal to 10 percent of their adjusted gross income. For a family of four earning 300 percent of FPL, or \$66,150, this would mean that the cheapest coverage available would be in excess of \$6,615 a year, or about \$550 a month.

Baucus estimates that families could expect to pay 13 percent of their income for health insurance premiums, not including co-payments and deductibles. This same family of four would be paying \$8,600 annually, or about \$715 a month. So much for Baucus’s claim that the plan would provide “quality, affordable coverage.”

Beginning in 2013, the plan would phase in modest tax credits for individuals and families earning between 134 and 300 percent of FPL (some would get no subsidies until they spend more than 13 percent of their income on health care). Beginning in 2014, credits would also be available to those earning between 100 and 133 percent of FPL.

Employers are not required to provide insurance, and they would not be subject to even the minimal penalties proposed in other versions of health care legislation for not doing so. However, employers with more than 50 employees would be required to reimburse the government for tax credit subsidies received by their employees, equal to 100 percent of the average subsidy, up to a cap of \$400 annually per employee, a fraction of the penalty paid by individuals and families for not having insurance.

Since the fee for companies would be less than most companies currently pay for health care, there will be an incentive for them to drop employer-sponsored health coverage, forcing individuals to purchase it in the private market. Essentially, this will mean a shift in the burden of health care coverage from employers to workers.

While pledging to utilize cost-cutting “efficiencies” in the Medicaid program, the Baucus plan proposes to shift some of the responsibility for covering the uninsured by expanding this program for the poor, which is administered jointly by the federal and state governments.

The program—currently available for children, pregnant women, the blind and disabled, based on low-income criteria—would be opened up to include “non-elderly non-pregnant individuals (childless adults)” who earn 133 percent of FPL or less.

This expansion of coverage would be paid for jointly by the federal government and states, according to a complicated formula. Medicaid currently provides health care coverage for more than a sixth of the US population. This proposal would burden already strained states, where spending on Medicaid accounts for close to a quarter of the budget.

Key to the legislation is a series of proposals aimed at slashing costs in the Medicare and Medicaid programs. Various bodies and mechanisms are proposed for carrying out comparative effectiveness research (CER) to ration care, and to phase out the traditional fee-for-service (FFS) payment system, in which health care providers are reimbursed for each patient visit and procedure. This will encourage or force doctors to limit testing and other services.

- The plan would require the Secretary of Health and Human Services to establish an Innovation Center within the Centers for Medicaid and Medicare Services (CMS). Among others, this center would test health-care models “that transition primary care practices away from fee-for-service based reimbursement and toward comprehensive payment.”

- Beginning in fiscal year 2013, Medicare participating hospitals with “preventable” readmission rates above a certain level would be penalized, with payments for the original hospitalization reduced by between 10 to 20 percent.

- Funding for the Medicare Improvement Fund (MIF) would be eliminated. Under current law, MIF—established “to make improvements under the original fee-for-service program under Parts A and B for Medicare beneficiaries”—provides \$22.29 billion for services in fiscal year 2014.

- Baucus’s plan would establish an independent Medicare Commission “that would develop and submit proposals to Congress aimed at extending the solvency of Medicare,

slowing Medicare cost-growth, and improving the quality of care delivered to Medicare beneficiaries.” The 15-member body would be appointed by the president and would submit proposals to Congress to reduce “excess cost growth” in line with the Consumer Price Index (CPI).

- A new “Patient-Centered Outcomes Research Institute” would be formed to utilize comparative effectiveness research “to assist patients, clinicians, purchasers, and policy makers in making informed health decisions.”

The Finance Committee will take up the legislation and begin voting on it next week, allowing the full Senate to consider it next month. It has received a tepid response from the Republicans on the Finance Committee that Baucus has worked to court, placing in doubt the likelihood of a bipartisan agreement without further cost-cutting provisions.

Republican Finance Committee members Michael Enzi of Wyoming and Charles Grassley of Iowa have documented their concerns over the draft proposal in writing to Baucus.

They both object to provisions of the proposed legislation that would impose annual flat fees on the health care industry beginning in 2010: \$6 billion on the health insurance sector, \$2.3 billion on the drug manufacturing sector, \$4 billion on the medical devices manufacturing sector, and \$0.75 billion on clinical laboratories.

Enzi and Grassley also want more explicit language prohibiting the use of federal money to pay for abortions, and a five-year waiting period for legal immigrants to receive tax credits to subsidize purchase of insurance.



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