

# Obama accelerates push for cost-cutting health care plan

Kate Randall  
19 September 2009

President Barack Obama spoke Thursday at the University of Maryland to continue his public relations drive for a cost-cutting overhaul of the health care system. Addressing students at the College Park, Maryland campus he claimed that his proposals would provide affordable health care for more young adults and lower medical-related debt for the student population—all this without adding “one dime to the deficit.”

Obama described the health care burden currently borne by students. “One in three young adults who don’t have health insurance live one accident or one illness away from bankruptcy,” he said, and “nearly 40 percent are in debt” due to medical bills.

He added, “More than one-third of all young adults—including those with insurance—have had trouble paying their medical bills. That’s why one-fourth of all young adults are paying off medical debt.”

The president’s address came the day after Senate Finance Committee Chairman Max Baucus (Democrat of Montana) released his draft of health care legislation, the fifth version to come out of Congress. While Obama did not refer to Baucus’s plan by name, its central elements have been broadly endorsed by the White House. (See “US: Senate Finance Committee chair releases health care proposal”)

An examination of some of the features of the Baucus proposal reveals that Obama’s claims in relation to improved health care provision for young adults are without merit, and that health care legislation taking shape in Congress will result in increased costs and reduced care for the majority of the general population.

Obama referred to one of the proposals in Baucus’s bill that would “give folks under 25 the chance to buy low-cost insurance that will protect you from financial

ruin if you get seriously ill.” Dubbed insurance for the “invincible”—those who are young and relatively healthy and often choose not to purchase insurance—this provision would allow students and other young people to purchase a lower-cost policy that would cover catastrophic medical events, such as hospitalizations or expensive treatments for serious illnesses.

Under such coverage, the individual would still be responsible to pay for routine office visits, preventative tests and prescription drugs—or might choose to go without them. It is estimated that the cheapest policy available for purchase in the insurance “exchange” envisioned by Obama would be in the \$100-per-month range, so such a person might choose instead to pay the penalty for not complying with the individual mandate—at least \$750 for an individual who does not obtain a waiver.

Differing from the Baucus plan, Obama supports a proposal that would allow people under the age of 26 to be covered through their parents’ insurance. But such young people would be covered only if their parents have insurance.

The Congressional Budget Office (CBO) estimates that a family of four making \$78,000 could expect to pay \$10,800 in premiums in 2016 under Baucus’s plan, with an additional \$5,000 in co-payments and deductibles—or about 20 percent of their income. This family might opt to pay the \$3,800 fine for their income category, leaving all family members uninsured.

All versions of health care legislation working their way through Congress require that all Americans obtain coverage or pay a penalty, unless they secure a waiver. Insurers are eager to tap into the 25-and-under pool of potential enrollees, as the risk of having to pay out for claims is less than for older people.

Obama told his University of Maryland audience that

his plan “will slow the growth of health care costs for our families and our businesses and our government.” But there are no mechanisms to regulate what the insurance companies can charge, and the bulk of the touted savings in the different drafts of legislation will come from drastic cuts to Medicare and Medicaid, in the form of cost-cutting “efficiencies.”

According to the CBO, Baucus’s proposal would reduce direct spending for Medicare, Medicaid, CHIP (Children’s Health Insurance Program) and other federal programs by \$409 billion over the 2010-2019 period. These cuts would be achieved through numerous changes to payment rates and payment rules, which will ultimately result in reductions in care for the poor, elderly and the disabled.

Baucus’s bill would establish several bodies to implement these cuts: an Innovation Center within the Centers for Medicaid and Medicare Services (CMS) to test health-care models, a Medicare Commission to slow cost-growth, and a Patient-Centered Outcomes Research Institute to utilize comparative effectiveness research (CER) to cut costs.

The Baucus plan has dropped the so-called public option in an attempt to court Senate Republicans, who have yet to support any version of health care legislation. Health care cooperatives, or co-ops, are included instead.

Senator Jay Rockefeller (Democrat of West Virginia), pointed out that these co-ops would do little to bring down premiums. “The best health care co-op exists in the state of Washington,” he said, “and both of Washington’s senators are adamantly for a public option. That ought to tell you something.”

In his speech Thursday, Obama said he felt the public option should be included in the insurance exchange, but emphasized, “Let me be clear. It would only be an option.” He assured Congress in his speech last week that, if included, it would cover only about 5 percent of the population and indicated that he was prepared to drop it altogether.

Since its unveiling on Wednesday, Baucus’s plan has been criticized by Republicans and some Democrats for its inclusion of an excise tax on the most expensive insurance coverage—so-called Cadillac plans. Insurance companies would be taxed at a rate of 35 percent of annual premiums exceeding \$8,000 for individuals and \$21,000 for families. The CBO estimates that the

measure would bring in \$215 billion over 10 years.

This tax would affect about 15 percent of insurance policies, and costs would invariably be passed down to employees in the form of reductions in benefits. Employers could also charge workers a higher proportion of the premium. The measure would particularly affect unionized workers, who in many cases have seen their unions bargain away wages and other benefits in order to secure these plans.

Democratic Senator John Kerry of Massachusetts, who proposed the tax in the first place, suggested raising the threshold, saying that “working folks with a lower level of income will get dragged in.”

Senator Charles Grassley of Iowa, the ranking Republican on the Finance Committee, suggested that premium costs could be held down by giving government assistance—to the insurance companies.

Democrats and Republicans are in agreement on the main components of any health care bill that stands a chance of emerging from Congress. Such legislation must be “deficit neutral,” include drastic cuts to Medicare and Medicaid, protect the profits of the insurance and pharmaceutical companies, and establish a system where the vast majority of the population is relegated to cut-rate, inferior medical care.

In a media blitz unprecedented for a sitting president, Obama was busy Friday recording interviews for five news programs to be broadcast this Sunday to push this agenda in the face of growing popular distrust and opposition.



To contact the WSWS and the  
Socialist Equality Party visit:

**[wsws.org/contact](http://wsws.org/contact)**