US House leaders unveil health care bill

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House leaders on Thursday unveiled legislation to overhaul the US health care system. The bill brings together drafts passed separately by three House committees over the summer, and must be voted on by the full House. It must then be reconciled with legislation in the Senate that is still being finalized.

Announcing the plan, House Speaker Nancy Pelosi (Democrat, California) said, "We come before you to follow in the footsteps of those who gave our country Social Security and Medicare." In fact, the legislation would slash hundreds of billions from Medicare and other federal programs, and contains a watered-down version of a government-run "public option." It is expected to insure relatively few individuals, and charge higher premiums than privately run plans.

The legislation is the result of months of horse-trading, with Pelosi and other House leaders bending over backwards to assure "Blue Dog" and other more fiscally conservative Democrats that the legislation will not add to the federal deficit. As with legislation passed by the Senate Finance Committee last month, it will serve to boost the profits of the insurance companies, while leaving millions of Americans uninsured.

The Congressional Budget Office (CBO) estimates the total cost of the House plan at $1.055 trillion over a decade, with a net cost of $894 billion after taking into account certain revenues. With the cuts in Medicare and other measures, the CBO projects that the bill would lower the federal deficit by $104 billion by 2019 and even further in the following 10 years.

President Barack Obama—who championed the goal of "universal health care" during his presidential bid—praised the House legislation as a "critical milestone." The bill, however, bears nothing in common with this pledge. The CBO estimates that it would leave 18 million people, including about 6 million undocumented immigrants, uninsured by 2019. The Senate finance committee bill would leave 25 million without insurance.

The bill includes a government-run public option for purchase on the insurance exchange alongside private insurance plans. However, unlike Medicare, which sets rates for payments to hospitals and doctors, the secretary of health and human services would negotiate rates with health care providers as private insurers do.

The CBO analysis considers the plan so weak that it estimates it might attract only about 6 million of the 30 million people purchasing insurance on the exchange by 2019. The public option would also tend to attract the sickest people, resulting in a situation where premiums would actually end up being more expensive than those offered by private insurers, who will utilize marketing and aggressive reviews of treatments to cherry-pick healthier individuals and drive out the sick and unhealthy.

Senate Majority Leader Harry Reid (Democrat, Nevada) announced last Monday that he would support an even more toothless version of the public option in legislation to be brought to the full Senate for a vote. Under this "opt-out" version of the public plan, it would be included on the exchange, but states could choose not to participate in it.

Like the Senate proposal, the House plan includes a mandate requiring individuals and families to obtain insurance or face a penalty of up to 2.5 percent of income. This mandate would provide the insurance industry with a new source of cash-paying customers. People could apply for a hardship waiver if insurance were unaffordable.

While private insurers would be barred from denying coverage based on pre-existing conditions, and would not be allowed to charge more for coverage for people with such conditions, there are no overall restrictions on what the insurers can charge.

The bill would cut $426 billion over a decade from federal health care programs, mainly Medicare. It also keeps in place a 21 percent cut to physicians' Medicare payments that was scheduled to take effect next year. House leaders said a reversal of the payment cut would be introduced in separate legislation.

The House legislation would raise $460 billion over the next decade through a 5.4 percent surtax on people earning more than $500,000 a year and married couples earning more than $1 million. The Senate version would instead raise $200 billion by taxing so-called Cadillac plans, a

measure that would primarily penalize workers who still retain relatively high-quality health care plans. (See "White House promotes tax on 'Cadillac' health care plans")

Medicaid, the insurance program for the poor jointly administered by the federal government and the states, would be expanded to cover non-elderly individuals with incomes up to 150 percent of the federal poverty level ($33,100 annually for a family of four). The federal government would pay the full costs of the expansion in 2013 and 2014. Following that, it would pay 91 percent of these costs, with the states paying 9 percent. There are no provisions on how already cash-strapped states will finance this increase.

Beginning in 2013, individuals and families with annual income up to 400 percent of the poverty level, or $88,000 for a family of four, would get sliding-scale subsidies to help them purchase insurance. These subsidies would kick in only after insurance premiums topped 12 percent of income. In the case of a family of four making $88,000, this would mean $880 a month or $10,560 a year.

The plan imposes modest fines on employers that do not provide health insurance. Companies with minimum annual payrolls of $500,000 a year or more would be fined at a 2 percent rate. This means a company with a $500,000 annual payroll would face a $10,000 penalty, far less than they would pay to insure their employees. Businesses with annual payrolls exceeding $750,000 would be fined at an 8 percent rate. Those with payrolls less than $500,000 would be exempt.

The House bill contains a provision revoking a decades-old anti-trust exemption for insurance companies. Under pressure from the insurance industry lobby, this provision is highly unlikely to survive a reconciliation of the House and Senate health care legislation.

The House and Senate bills vary slightly on taxes and rebates related to drug makers and medical-device manufacturers. The Senate Finance Committee bill would tax medical-device makers about $40 billion over 10 years, while this figure is halved to $20 billion in the House version.

In the House bill, the drug industry would be required to pay rebates amounting to about $60 billion over a decade for drugs provided to elderly people who are eligible for both Medicare and Medicaid.

The House bill would require a total of $140 billion in concessions from the drug industry, while the Senate version contains $80 billion. Ken Johnson of PhRMA, the industry trade group, said the House bill causes "some concern" and claimed it "could lead to catastrophic job losses and cuts to R&D."

The majority of these concessions by the insurance industry, drug companies and device-makers have all been negotiated in behind-the-scenes talks between industry lobbyists, the White House and congressional leaders. In these deals, lobbyists have agreed to marginal curtailment of their revenues while securing agreements to protect their domination of the industry market and overall profit margins.

In the case of the cost savings from the drug companies contained in the Senate Finance bill, the pharmaceuticals agreed to the $80 billion following a pledge from the Obama administration that it would work to block any health care legislation that would allow the government to negotiate Medicare drug prices. (See "The drug lobby demands, and gets, Obama pledge to protect health care profits")

Unlike the Senate bill, the House plan would allow the federal government to negotiate Medicare drug prices directly with companies, a provision that the drug industry lobby can be expected to vigorously work to reverse.

Another provision in the House version would allow the Food and Drug Administration to approve generic versions of biologic drugs (expensive medicines derived from proteins). However, brand-name drug companies would be granted sales exclusivity for 12 years, and be allowed to extend it with only minor changes to their formulas, thus allowing them to charge astronomical prices for drugs for the treatment of cancers, Parkinson's and other deadly diseases.

Despite such concessions, and the overall cost-cutting measures contained in the House bill, Karen Ignagni, president and chief executive of America's Health Insurance Plans, denounced the legislation. The health care industry will continue to lobby against any measures that they interpret as a threat to their profits—particularly the government-run public option, no matter how diluted and ineffective it might be.

Ignagni stated, "We share the concerns that doctors, hospitals, employers, and patients have all raised about the significant disruption a new government-run plan would have on the current health care system. A new government-run plan would bankrupt hospitals, dismantle employer coverage, exacerbate cost-shifting from Medicare and Medicaid, and ultimately increase the federal deficit."