

US Senate panel approves Obama-backed health care plan

Kate Randall

14 October 2009

The US Senate Finance Committee voted Tuesday to approve health care legislation that, if implemented, will slash health care benefits for millions of Americans. The Baucus plan, named for committee chairman Max Baucus, Democrat of Montana, passed in a 14-9 vote.

Republican Senator Olympia Snowe of Maine joined with all 13 Democratic committee members to support the bill, with the 9 remaining Republicans voting to oppose it.

President Obama praised the Finance Committee vote as a “critical milestone in our effort to reform our health care system.” The Baucus plan is the legislation largely favored by the administration.

The estimated cost of the measure is \$829 billion over 10 years, but it is expected to reduce the deficit by \$81 billion due mainly to cuts in government health care programs. The bill meets Obama’s criterion that any health plan must be “deficit neutral” and not add “one dime” to the federal budget deficit. This from an administration that has overseen the bailout of the banks—with no strings attached—at an potential liability of over \$23 trillion.

The cost-cutting features of the Baucus plan were front and center Tuesday as the Finance Committee members made their positions known before the vote. Republicans and Democrats alike queried Douglas Elmendorf, director of the Congressional Budget Office, who was on hand to answer their questions about whether the plan would rein in spending.

Senator Snowe, who has been courted by the White House and finance committee Democrats to support the legislation and lend a show of bipartisanship to the proceedings, stated that there was no guarantee she would support its final form when reconciled with other versions of the legislation.

“My vote is for today. It doesn’t forecast what my vote will be tomorrow,” Snowe said, indicating that she would be wary of any unexpected costs introduced in a future Senate bill.

Senator Charles Grassley of Iowa, the ranking Republican on the committee, who voted with the balance of Republicans to oppose the plan, commented, “This bill is already moving on a slippery slope toward more government control of health care.”

In reality, Obama’s support for the Baucus plan demonstrates that his vision of restructuring health care has nothing in common with a government-run plan, or even a reform of the present system. Rather, the entire Congressional debate over health care has been dictated by the interests of the corporate and financial elite, including the giant health care insurers and pharmaceutical companies.

The result is legislation that will leave millions without health care coverage and slash billions from Medicare and other federal programs. Individuals and families will be mandated to buy insurance or face a penalty, while employers are under no obligation to provide coverage.

The bill will also bring into force various mechanisms that will cut costs and ration care.

Of the five bills working their way through Congress, only the Baucus plan does not include a “public option” as part of its insurance “exchange” where coverage will be offered for sale. Instead, it calls for the expansion of so-called nonprofit health care cooperatives, which will provide little competition to private insurers.

In the other Congressional versions, the public option serves at best as a fig leaf of reform, and would exist as a dumping ground providing substandard care for those unable to purchase higher priced policies. In any event, Obama and various White House officials have repeatedly indicated that inclusion of a public option is not a requirement for the president’s signature on a final bill.

Over the weekend, the Baucus bill faced criticism from private insurers with the release of a report by America’s Health Insurance Plans (AHIP), an industry group, which engaged PricewaterhouseCoopers to analyze provisions of the plan. The report claims that under the legislation the cost of private health insurance would soar, increasing from 2009 to 2019 by 111 percent, compared to an increase of 79 percent during this period if no changes were enacted.

In particular, the AHIP report cited what they term “a weak coverage requirement” in the bill, which they say would result in healthy people choosing not to purchase insurance, causing insurers to hike premium costs for others. They also argue that cuts to Medicare would encourage health care providers to shift costs to the privately insured.

The report condemned a new tax on higher-priced “Cadillac” insurance plans, as well as prohibitions against insurers denying coverage for preexisting conditions. These costs, the study said, would also be shifted to the insured in the form of higher premiums.

The AHIP analysis determined that average annual costs for family coverage would rise to \$25,900 by 2019 if the Baucus plan’s provisions were implemented, compared to \$21,900 under current law.

While the Obama administration and Democrats on the Senate Finance Committee sought to dispute these figures, it should be noted that the Baucus bill contains no provisions to restrict what insurance companies can charge. The White House has worked closely throughout the Congressional discussion on health care to assure the insurance industry that any legislation that is drafted meets these conditions.

The frontal assault by the insurance industry on the eve of the Senate Finance Committee vote appeared to serve as a warning that the insurance industry will oppose any measures that might curb their

freedom to reap profits. In the ensuing discussion in the Senate to reconcile the Baucus plan with the bill from the Senate health committee—and with final legislation from the House—they will resist the introduction of even a watered-down version of the public option, or any other measures they deem detrimental to their bottom line.

As it is presently constituted, however, the health care lobby should find little objectionable in the provisions of the Baucus plan. First of all, people will be mandated to purchase coverage from private insurers, or face penalties that will rise by 2017 to \$750 for a family.

Obama opposed the “individual mandate” during his presidential campaign, arguing, “If we make it affordable, people will purchase it.” He now supports a mandate that will force individuals and families to buy what will inevitably be increasingly costly coverage, referring to it instead as “personal responsibility.”

Another Obama campaign promise has also been exposed as a sham—the fight for “universal health care.” One of the most damning features of the Baucus plan is that it would leave about 25 million people—or about 1 in every 12 US residents—with no health care coverage at all.

It is estimated that about a third of these uninsured—or more than 6 million people—would be undocumented immigrants and their children. In particularly cruel fashion, the Obama administration and Congressional Democrats have been at pains to insist that not a penny of federal money should go to insure these individuals.

The main federal spending in the plan is in the form of subsidies to low- and middle-income people to purchase private insurance, expected to amount to more than \$460 billion over 10 years.

Medicaid, the health care program for the poor jointly funded by the federal government and the states, will also be expanded to cover an additional 14 million people at an estimated cost of \$345 billion by raising the income threshold for eligibility. There are no provisions in the bill to pay for the estimated \$33 billion in costs the states are expected to have to spend to cover costs for this expansion of benefits.

These outlays will in the main be financed by deep cuts to Medicare and other federal programs for the elderly, poor and disabled, which will be slashed by about \$400 billion over the next decade.

Medicare payments to health care providers will be reduced by about \$200 billion. An additional \$113 billion will be axed from Medicare Advantage, the program by which more than 10 million seniors receive Medicare benefits through private health insurance plans.

The Baucus plan will also utilize “comparative effectiveness research” to implement further cuts to Medicare. An independent Medicare Commission, an unelected body appointed by the president, will have the power to reduce “excess cost growth,” with the goal of reducing spending by \$22 billion over the next decade.

The Baucus plan would also establish an Innovation Center with the Centers for Medicare and Medicaid Services to test health care models, particularly aimed at moving primary care practices away from “fee-for-service”-based reimbursements. This center would seek to impose caps on health care costs by rationing care, thus denying payments for more expensive tests, procedures and drugs.

Over all, the Baucus plan would slash about 5 percent from the Medicare program over the next 10 years. These cuts will be translated into reductions in care for the elderly population, despite claims by White House officials that better care can be achieved by spending less.

The plan also seeks to raise more than \$200 billion through taxes on so-called Cadillac plans. Such plans, defined as costing more than

\$8,000 annually for individuals or \$21,000 for a family, would be taxed at a 40 percent rate for the coverage exceeding these cut-off levels. Obama opposed this measure during his presidential bid as an indirect tax on employee benefits, but now supports it.

Contrary to the “Cadillac” designation, the chief targets of this indirect tax would be comparatively higher paid workers—not the wealthy elite. Workers have gained these plans in bitter strikes and contract struggles, often sacrificing wage increases and other benefits to attain them. These plans generally have smaller co-pays and deductibles, as well as coverage for dental, optical and other vital health services.

While the taxes on these plans would be levied against the insurance companies, the costs would be passed on to the insured in the form of raised premiums and/or reductions in coverage. A preliminary estimate by the Congressional Joint Committee on Taxation has calculated that by 2019, *37 percent of family policies and 41 percent of individuals* would fall into this category.

In other words, a plan that was touted as a means of extending coverage and making health care “more affordable” will leave 25 million US residents without coverage, and financially penalize a sizeable segment of the population with comparatively decent health coverage.

Despite these features of the Baucus plan, in his comments Tuesday Obama cynically claimed that the legislation “goes a long way towards offering security to those who have insurance and affordable options for those who don’t.”

There is no opposition from any section of the political establishment to the cost-cutting model exemplified by the Baucus plan, which has moved one step closer with Tuesday’s Finance Committee vote.

Deliberations in the Senate will now continue in closed-door discussions with Baucus and other senators, along with senior White House officials, including Budget Director Peter Orszag, Chief of Staff Rahm Emanuel and senior health adviser Nancy-Ann DeParle.

Whatever legislation ultimately emerges from these proceedings, and any reconciled bill between the House and Senate, the result will be a more openly and directly class-based health care system, in which the working class receives second-rate care, while the wealthy are ensured the best care that money can buy.



To contact the WSWs and the Socialist Equality Party visit:

wsws.org/contact