Obama unveils health plan ahead of bipartisan summit

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President Obama posted his proposal for health care legislation Monday on the White House web site. He has made his plan public in advance of an all-day, televised health care "summit" at the Blair House in Washington on Thursday that will bring together Congressional Democrats and Republicans.

The president's plan largely follows the version passed by the Senate in December, with minor changes based on the House bill passed in November. The bill also makes minor concessions to Republicans in the form of targeting health care "waste, fraud and abuse," whose inevitable effect, if enacted, would amount to cuts in payments and services, particularly to Medicare.

The White House says the plan would cost $950 billion over a decade, and aims to reduce the deficit by $100 billion over the next 10 years—and approximately $1 trillion over the second decade. This is to be achieved in large part, the report on the plan notes, by "cutting government overspending."

Cynically, the report on the "The President's Proposal" does not indicate where the major portion of these funds will be cut. As in both the House and Senate plans, to achieve these deficit reductions, the plan will include hundreds of billions of dollars in cuts to Medicare, the government-run health care plan for seniors and the disabled.

The release of the White House proposal also comes only a few days after the president established by executive order a panel that will be tasked with slashing spending on Medicare, Medicaid, and Social Security. (See, "Obama appoints panel to slash social programs")

Obama's proposal attempts to do a balancing act between the Senate and House versions on some of the minor features of the plan. In the main, it is notable for what it does *not* contain: universal health coverage, a public option, or a national insurance "exchange." There is no requirement for employers to provide insurance, and there are no substantive measures to rein in the profits of the giant insurers and pharmaceuticals.

Conforming to the so-called debate on health care "reform" that has spanned more than a year, it is based on brutal cost-cutting measures and rationing that will result in reductions in care for millions of ordinary Americans. Individuals and families would be mandated to purchase insurance or pay a penalty, and about 20 million people would be left with no health care coverage at all.

Despite these business-friendly features, Republican reaction to the plan has been generally negative. House Minority Leader John Boehner (Republican of Ohio) commented that Obama had "crippled the credibility" of the upcoming health care "summit" by proposing "the same massive government takeover of health care."

If no Republican support can be attracted for the plan, White House spokespersons have indicated that Obama may seek approval for the legislation with the use of a parliamentary procedure known as reconciliation, where only a simple majority is required to pass budgetary measures. With the loss of the Massachusetts Senate seat to the Republicans in the recent special election, the Democrats no longer have the 60-vote supermajority enabling them to defeat a Republican filibuster.

One of the key features of Obama's plan is the so-called individual mandate, which requires individuals and families to purchase insurance or pay a penalty. The measure was included in both the Senate and House bills. Under the subheading "Improve Individual Responsibility," the White House plan outlines tweaks to the amounts people would be fined, and the thresholds at which lower-income people would be exempt from penalties if they don't have insurance.

The end result, however, is the same. The mandate will force millions of people to buy private insurance, funneling billions of dollars into the coffers of the insurance companies. This comes at a time when the insurance industry is raking in record profits. Last year, the top five insurance firms reported $12.2 billion in profits, while 2.7 million Americans who had been enrolled in private health plans lost their coverage. (See "US health insurers reap record profits in 2009")

The plan includes the Senate proposal for the creation of state-based insurance "exchanges" where people could purchase insurance, instead of the national exchange proposed by the House. No government-run option would be included.

The President's Proposal also largely adopts the Senate's proposed increase in the Medicare payroll tax for individuals earning more than $200,000 a year and for couples earning more than $250,000, slightly raising the rates.

Regarding the tax on so-called Cadillac health plans, Obama would increase the threshold for taxing more expensive health plans from $23,000 for a family plan to $27,500, and would delay imposition of the tax until 2018, rather than 2013. This delay would be extended to all plans, not only those negotiated through collective bargaining, as had been worked out in a deal with union leaders.

The Obama plan makes minor changes in the House and Senate bills to the tax credits and available to lower income individuals and families to assist in the purchase of insurance.

There is no requirement, however, for employers to provide insurance for their workers, with companies facing only modest fines if their employees receive taxpayer subsidies. As in the Senate bill, businesses with fewer than 50 employees would be exempt from any penalties. For firms with more than 50 employees, penalties would be assessed based on the number of workers minus 20 (i.e., a company with 51 workers would be assessed based on 31).

The summary of Obama's plan devotes three of ten pages to a section entitled "Policies to Crack Down on Waste, Fraud and Abuse." The features included are drawn heavily from the "Empowering Patients First Act"—legislation introduced last July by House Republicans as an alternative to the Democrats' bill—as well as the Obama administration's fiscal year 2011 budget proposal.

The measures clearly aim at seizing on any real or imagined inefficiencies in the health care system to slash costs, particularly for federally administered programs. The plan proposes to establish a "Comprehensive Sanctions Database" for Medicare and Medicaid to "provide a central storage location, allowing for law enforcement access to information related to past sanctions on health care providers, suppliers and related entities."

Topics include: "Registration and Background Checks of Billing Agencies and Individuals," "Expanded Access to the Healthcare Integrity and Protection Data Bank," and "Use of Technology for Real-Time Date Review," among others.

The President's Proposal makes no reference to the use of "comparative effectiveness research" to implement further cuts to Medicare. The Senate bill called for the establishment of an independent Medicare Commission, an unelected body appointed by the president, with the power to reduce "excess cost growth," aimed at reducing spending by more than $20 billion over the next decade. The Obama plan undoubtedly includes such panels.

The Senate plan also proposed reductions of about $200 billion in Medicare payments to health care providers, as well as more than $100 billion to be axed from Medicare Advantage, the program by which more than 10 million seniors receive Medicare benefits through private health insurance plans.

Obama's plan alludes vaguely to proposed cuts to Medicare Advantage, indicating: "The President's Proposal requires a payment adjustment for unjustified coding patterns in Medicare Advantage plans that have raised payments more rapidly than the evidence of their enrollees' health status and costs suggests is warranted, based on actuarial analysis."

The administration has made much of the proposal to establish a new Health Insurance Rate Authority. According to the plan, this body would "provide Federal assistance and oversight to States in conducting reviews of unreasonable rate increases and other unfair practices of insurance plans."

The authority would have seven members, including "consumer representatives, an insurance industry representative, a physician and others, such as economists and actuaries." According to the *New York Times*, the Health Insurance Rate Authority "would issue an annual report setting the parameters for reasonable rate increases based on conditions in the market."

Basing their determinations on the capitalist market, such an authority would undoubtedly come down on the side of the for-profit, private insurers as to what constitutes a "reasonable" rate to charge customers for premiums.