

October 8, 2009

Health Care Bill Gets Green Light in Cost Analysis

By [ROBERT PEAR](#) and [DAVID M. HERSZENHORN](#)

WASHINGTON — The Senate Finance Committee legislation to revamp the health care system would provide coverage to 29 million uninsured Americans but would still pare future federal deficits by slowing the growth of spending on medical care, the nonpartisan [Congressional Budget Office](#) said Wednesday.

The much-anticipated cost analysis showed the bill meeting [President Obama](#)'s main requirements, including his demand that health legislation not add "one dime to the deficit." Indeed, the budget office said, the bill would reduce deficits by a total of \$81 billion in the decade starting next year.

The report clears the way for the Finance Committee chairman, Senator [Max Baucus](#), Democrat of Montana, to push for a panel vote within the next few days, and sets the stage for Democrats to take legislation to the floor for debate by the full Senate this month.

Despite the expansion of coverage at a cost of \$829 billion over 10 years, the budget office said 25 million people — about one-third of them illegal immigrants — would still be uninsured in 2019. In all, it said, the proportion of nonelderly Americans with insurance would rise over the 10 years to 94 percent, from 83 percent today.

Republicans, who are overwhelmingly opposed to the legislation, minimized the significance of the cost analysis. They suggested that the "real" bill would be written secretly by Democratic leaders as they combine the Finance Committee measure with a version approved by the Senate health committee in July.

But Democrats rejoiced. Several wavering Democrats and one Republican, Senator [Olympia J. Snowe](#) of Maine, had said they would be influenced by the budget office report.

Within minutes of receiving the report, Mr. Baucus, the chief author of the bill, was on the Senate floor, boasting that it would cover millions, reduce the deficit and revamp the health care system for the 21st century. “The report is good news,” he said. “Our balanced approach in the Finance Committee to health reform, I think, has paid off.”

[Peter R. Orszag](#), director of the White House [Office of Management and Budget](#), said the analysis “demonstrates that we can expand coverage and improve quality while being fiscally responsible.”

The cost analysis by the Congressional Budget Office was a crucial test. If the numbers had come in much higher — if, for example, the price tag had exceeded \$900 billion — they could have delayed or derailed Democrats’ effort to pass a bill this year.

The budget office said [Medicare](#) savings and revenues from new taxes would grow at a brisk pace beyond 2019, so the bill would probably “reduce [federal budget](#) deficits over the ensuing decade, relative to those projected under current law.”

Democrats had worried that changes made by the committee, in seven days of deliberations, would add to the cost or reduce the number of people covered. The projected 10-year cost of the bill did increase, from \$774 billion in Mr. Baucus’s original proposal. But the new costs were more than offset, and the budget office found that the latest version would reduce deficits by \$32 billion more than the original plan.

The bill would require people to have insurance but reduced the penalties for those who violate the requirement. Senators of both parties had expected this change to reduce the number of people gaining insurance under the bill. But the budget office did not alter its estimate.

In a sign of the furious debate that lies ahead, hospital lobbyists said Wednesday that the coverage was not good enough to meet the terms of an agreement they had reached with Mr. Baucus and the White House. The industry said it had agreed to accept \$155 billion in reduced Medicare payments over 10 years, provided that 97 percent of

all legal residents were insured.

“They have not yet met the standard of our deal,” said Charles N. Kahn III, president of the Federation of American Hospitals, a trade group.

Republicans were not impressed by the new numbers. Senator [Charles E. Grassley](#) of Iowa, the senior Republican on the Finance Committee, said: “The bill spends nearly \$1 trillion and still leaves 25 million people without [health insurance](#). That’s not much bang for the buck.”

Senator [Judd Gregg](#), Republican of New Hampshire, said the bill would “create a massive new entitlement” to government-subsidized insurance.

Other Republicans noted that in a separate report the budget office said Wednesday that the deficit tripled to a record \$1.4 trillion in the 2009 fiscal year, which ended last week.

A companion bill moving through the House would cost more, but would also do more to expand coverage, leaving 17 million people uninsured in 2019, the budget office said.

The House Democratic Caucus held meetings throughout the day to seek a consensus on its version of the legislation. Speaker [Nancy Pelosi](#) said the discussions focused on the size and shape of a proposed government-run health insurance plan, which, under the House bill, would compete with private insurers.

“There will be a [public option](#) in the bill,” Ms. Pelosi declared.

In its analysis of the Senate Finance Committee bill, the budget office said a proposed expansion of [Medicaid](#) would add \$345 billion to federal spending over the next 10 years. State Medicaid spending would rise by \$33 billion, as 14 million people would be added to the Medicaid rolls.

The other big federal cost would be subsidies totaling \$461 billion over 10 years, to help low- and middle-income

people buy insurance.

The budget office said a proposed tax on high-cost insurance policies would raise \$201 billion over 10 years. Penalties paid by people who go without insurance would total \$4 billion over 10 years, far less than the \$20 billion expected under Mr. Baucus's original proposal. Employers who did not provide health benefits would pay \$23 billion in penalties, down from the \$27 billion previously estimated.

Mr. Baucus's bill would create a Medicare commission, with power to make cutbacks in the program, unless blocked by subsequent legislative action. The budget office said the commission would save \$22 billion over 10 years.


The bill would establish insurance cooperatives, to compete with private insurers. But the budget office said the co-ops would not establish "a significant market presence in many areas."

The budget office found that the Finance Committee would reduce payments to private Medicare Advantage plans by \$117 billion over 10 years while cutting the growth of Medicare payments to other health providers by \$162 billion. Republicans contend, and Democrats deny, that beneficiaries would suffer as a result.

Senator [Charles E. Schumer](#) of New York, the No. 3 Democrat in the Senate, moved Wednesday to address criticism of the penalties that would be imposed on people who go without insurance. The penalty would be phased in from 2013 to 2017, when an adult without insurance would generally have to pay an excise tax of \$750 a year.

Under Mr. Schumer's proposal, those payments would be deposited in a new federal trust fund and could be used in the future to buy insurance for the person who had paid the taxes.

Copyright 2009 The New York Times

[Company](#) [Privacy](#) [Policy](#) [Terms of Service](#) [Search](#) [Corrections](#)  [First Look](#) [Help](#) [Contact Us](#) [Work for Us](#) [Site Map](#)