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Health-Care Bill Wouldn't Raise Deficit, Report Says

Budget Office Assesses Finance Panel's Plan

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Congressional budget analysts gave an important political boost Wednesday to a Senate panel's health-care overhaul, projecting that the \$829 billion measure would dramatically shrink the ranks of the uninsured and keep President Obama's pledge that doing so would not add "one dime" to federal budget deficits.

With the report from the nonpartisan Congressional Budget Office, the measure crafted by the Senate Finance Committee has emerged as the only one of five bills by various panels that achieves every important goal Obama has set for his top domestic initiative.

White House budget director Peter Orszag applauded the analysis, saying the bill "demonstrates that we can expand coverage and improve quality while being fiscally responsible," and Senate Majority Leader Harry M. Reid (D-Nev.) called the CBO report "another important step down the road toward enacting comprehensive health insurance reform." But senior Republicans seemed only to harden in their opposition to the measure.

The Finance Committee could vote as soon as Friday on the bill. Passage by the

Democrat-dominated panel is virtually assured, but Democrats are eager to win the vote of Sen. Olympia J. Snowe (Maine), the only Republican on the committee who has expressed any support for the measure.

Snowe said Wednesday that she was relieved to see that the cost of expanding coverage remained below Obama's limit of \$900 billion over the next decade. "But we have a lot to review," she said.

She urged Chairman Max Baucus (D-Mont.) to wait until next week for a final vote. "It's a critical vote. . . . I would rather have the comfort level of having had sufficient time to analyze it."

Other Republicans pored over the 27-page report in a late-afternoon huddle, then emerged with the warning that the finance panel's measure would impose a stiff price

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on people who already have health insurance. Sen. Charles E. Grassley (Iowa), the ranking Republican on the committee, said he is worried that insurers and other health-care companies would pass on the cost of new fees and taxes to consumers. And he said the bill's expansion of Medicaid would leave a new set of "unfunded mandates" for states already struggling with record budget deficits.

"There's a lot of things in there to be concerned about," Grassley said.

Reid said he hopes to combine the bill with a competing measure approved by the Senate health committee and present the result to the full Senate later this month. He will begin to convene small meetings in his office next week with Baucus, Sen. Christopher J. Dodd (D-Conn.) and senior White House officials, including Orszag, Chief of Staff Rahm Emanuel and senior health adviser Nancy-Ann DeParle.

Senate Minority Leader Mitch McConnell (R-Ky.) said the legislation is likely to become more problematic as Reid works "in a closed-to-the-public conference room, somewhere in the Capitol" to add provisions aimed at winning the 60 votes needed to avert a GOP filibuster. "The real bill will be another 1,000-page, trillion-dollar experiment," McConnell said in a statement, "that slashes a half-trillion dollars from seniors' Medicare, raises taxes on American families by \$400 billion, increases health

care premiums, and vastly expands the role of the federal government in the personal health-care decisions of every American."

According to the CBO, Congress's official arbiter of the cost of legislation, the Finance Committee measure would expand coverage to an additional 29 million Americans by 2019 by dramatically expanding Medicaid coverage for the poor and by subsidizing private insurance for low- and middle-income Americans.

The \$829 billion cost would be more than offset by reducing spending on Medicare and other federal health programs by about \$400 billion over the next decade, and by imposing a series of fees on insurance companies, drugmakers, medical device manufacturers and other sectors of the health industry that stand to gain millions of new customers under the legislation.

In addition, the package would raise \$200

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billion more by levying a 40 percent excise tax on high-cost insurance policies -- the "Cadillac" plans that cost more than \$8,000 for individuals or \$21,000 for a family.

All told, the package would reduce federal budget deficits by \$81 billion over the next decade, the CBO forecast, adding that the savings probably would continue to accumulate well into the future.

"The added revenues and cost savings are projected to grow more rapidly than the cost of the coverage expansion," the report said. "Consequently, CBO expects that the proposal, if enacted, would reduce federal budget deficits [beyond 2019] relative to those projected under current law" by as much as one-half of 1 percent of the nation's gross domestic product -- savings that could total hundreds of billions of dollars.

The package is significantly more expensive than the \$774 billion coverage plan Baucus initially presented, in part because the committee agreed to offer more generous subsidies to people buying private insurance through a network of state-run exchanges.

But the CBO determined that the new measure would cut the deficit by an even greater amount than did the original version. One reason: An amendment offered by Sen. John D. Rockefeller IV (D-W.Va.) would require states to maintain coverage levels for children currently on Medicaid or

the Children's Health Insurance Program, rather than pushing them into exchanges, where the government would have to pay more to keep them insured.

The CBO said it was unable to tease out the effects of other key amendments, such as a proposal by Sen. Maria Cantwell (D-Wash.) that would authorize states to pool federal subsidies to develop other forms of insurance. Baucus said he hopes that the provision would generate substantial savings.

Despite an amendment by Sen. Charles E. Schumer (D-N.Y.) that would make it easier for people to dodge a mandate to buy health insurance, the CBO estimated that the final package would extend coverage to just as many people as the original version, causing the share of non-elderly residents with insurance coverage to grow from about 83 percent today to 94 percent in 2019. About 25 million people would still lack insurance

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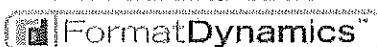
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in that year, the CBO said, about half of them illegal immigrants.

Across Capitol Hill, House Democrats said they were close to agreement on a pared-down package of health-care reforms that takes a very different tack on a number of key issues, particularly the method of financing.

"We are coming around the bend. Not in the homestretch yet, but coming around the bend," House Speaker Nancy Pelosi (Calif.) said after a closed-door meeting. "We are very near to some of our final decisions needed for us to send something to the CBO that will inform how we go forward."

The major remaining challenge for House leaders is how to squeeze the cost of expanding coverage to Obama's prescribed \$900 billion from an initial version that cost more than \$1.2 trillion. That could require shrinking the value of government subsidies that the bill would provide to uninsured low- and middle-class families, or reducing the amount of coverage that people would be required to buy.

Pelosi said the House bill would create a government-run insurance option, something liberals are seeking but the Senate Finance Committee rejected. Reid has not decided whether to include a public option in the final Senate bill, although several proposals are circulating that would give individual states the leeway to create

such a plan.

Meanwhile, a senior Democratic aide said House leaders plan to stick with a surtax on income above \$500,000 to finance the package, rather than adopting the Finance Committee's tax on Cadillac insurance policies. More than half of House Democrats signed a letter sent to Pelosi, Senate leaders and the White House on Wednesday saying they oppose a new tax on health benefits in any form. The idea "is a nonstarter for the supermajority of the House Democratic caucus," said Rep. Joe Courtney (D-Conn.), who drafted the letter.

At a news conference outside the Capitol, Courtney and others argued that the tax would strike not only "the Paris Hiltons of the world," but also many middle-class families.

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