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Lobbyists Fight Last Big Plans to Cut Health Care Costs

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WASHINGTON — As the health care debate moves to the floor of Congress, most of the serious proposals to fulfill [President Obama](#)'s original vow to curb costs have fallen victim to organized interests and parochial politics.

And now the last two initiatives with real bite that are still in contention — a scaled-back “Cadillac tax” on high-cost health plans and a nonpartisan [Medicare](#) budget-cutting commission — are under furious assault.

Most economists' favorite idea for slowing the growth of health care spending was ending the income tax exemption for employer-paid [health insurance](#) to make lower-cost plans more attractive. But that would hurt workers with big benefit plans, and a labor-union lobbying blitz helped kill that idea by the Fourth of July.

Lobbying by doctors, [hospitals](#) and other health care providers, meanwhile, dimmed the prospects of various proposals to cut into their incomes, including allowing government negotiation of Medicare drug prices and creating a government insurer with the muscle to lower fee payments.

“The lobbyists are winning,” said Representative Jim Cooper, a conservative Tennessee Democrat who teaches health policy.

Total health care costs in the last 20 years have doubled to about 16 percent of the economy, with no signs of tapering. Along with universal coverage, Mr. Obama has made controlling those costs a central pillar of his health care overhaul, calling the current course “unsustainable.” The effort is a pivotal test of his campaign promise to break the stranglehold of special interests.

In his weekly radio address on Saturday, Mr. Obama applauded the bill set for a vote next week in the Senate Finance Committee. “By attacking waste and fraud within the system,” he said, “it will slow the growth in health care costs, without adding a dime to our deficits.”

In an interview, [Peter R. Orszag](#), the White House budget director and the official most associated with the drive to cut costs, singled out the proposed Medicare commission and the “Cadillac tax” as evidence of progress. “A key priority now,” Mr. Orszag said, “is to make sure cost containment holds up as we move through the legislative process.”

Neither element appears in any of the other four health care bills on Capitol Hill, and both face dug-in resistance in the House.

Although the bills contain other measures aimed at medical costs, most of the surviving ones do not antagonize any organized interest. Among them are voluntary efficiency measures like encouraging the coordination of medical records, disseminating information comparing the effectiveness of treatments and various pilot projects.

White House officials argue that in any case it is prudent to start with such tests, and that many could be expanded to more comprehensive programs. But their real impact is hard to gauge, and the nonpartisan [Congressional Budget Office](#) assigns them little weight. (The budget office credited the Finance Committee bill with reducing the federal deficit, but how much it will slow the growth of total public and private health spending is another question.)

The tax on gold-plated insurance plans is the last vestige of most economists’ favorite idea, eliminating the tax exemption for employer plans. The finance bill would impose a 40 percent excise tax on insurance plans that cost more than \$8,000 a year for an individual or \$21,000 for a family.

The bill has aroused the frantic opposition of labor and business lobbyists who appear to have found friends in the Capitol. On Wednesday, 157 House Democrats — a majority of the party — signed a letter to Speaker [Nancy Pelosi](#) opposing the tax.

“It has no legs in the House,” said Representative Pete Stark, the California Democrat who is chairman of the health subcommittee of the tax-writing panel.

The proposed Medicare commission, aimed at providers instead of consumers, is becoming a case study in the political difficulty of reducing medical payments.

The commission was intended to side-step the interest-group pressure that often stymies Congress. Modeled after

the nonpartisan commission for military base closings, it would present a roster of Medicare cuts that Congress could block only with legislation.

But along the way, the White House and the Senate Finance Committee have cut deals for political support with lobbyists that may circumscribe the cost cuts, potentially including the recommendations of the commission.

For example, the White House and the panel's chairman, Senator [Max Baucus](#), Democrat of Montana, reached an agreement with the drug industry for its companies to contribute a total of \$80 billion — but no more — over 10 years in reductions to their government payments.

Many Democrats would like to see the government negotiate far lower prices for the Medicare drugs it buys. But drug industry lobbyists say — and the debate on the finance bill appears to confirm — that Mr. Baucus's agreement to limit the industry's costs excludes such price negotiations. Now the drug lobbyists are pushing to be sure the Medicare commission could not force negotiations either. The relevant text of the bill is still being written.

Some analysts contend that in other ways the drug industry deal could even encourage unnecessary spending on brand-name drugs. As part of its \$80 billion, the industry would provide discounted drugs for certain Medicare patients who had previously been forced to pay for them until their bills reached a certain level. The deal will thus eliminate what had been an incentive to switch to cheaper generics. "It is market protection," one drug company lobbyist said of the deal, speaking anonymously for fear of alienating the White House.

Senate finance staff members counter that their bill encourages the use of generic drugs in other ways by waiving the first co-payment for patients who try them.

A parallel White House deal with hospital lobbyists is posing a more serious political problem for the Medicare commission. The White House and the Senate finance chairman agreed to limit the hospitals' payment reductions to \$155 billion over 10 years, and in this case they added a guarantee to the hospitals that for that 10-year period the proposed Medicare commission would not extract any more. (The hospitals are also gaining new income from the expansion of insurance.)

A Senate Democratic aide said the hospitals had already agreed to significant cuts and noted that 10 years was not very long. (White House officials previously disputed the hospital lobbyists' account of the deal, but the Senate

finance bill confirms it.)

Now other health care interests, led by the powerful [American Medical Association](#), are complaining that it is unfair to protect hospitals from the commission, especially since they are the biggest recipient of Medicare money.

“This presents a serious inequity,” the group said in a letter to Mr. Baucus. The association and others also complain that the commission could cut only provider payments, without authority over benefits or premiums.

Some Democratic lawmakers are upset, too. “To work, it has to look at the full picture,” Senator [John D. Rockefeller IV](#) of West Virginia, one of the commission’s principal sponsors, said in an e-mailed statement. “There can be no carve-outs for specific provider groups.”

Mr. Cooper, the Tennessee Democrat and another supporter, predicted the end of the commission. “This will start a race for the exits,” he said. “Every other provider group will say, why are you letting these guys out? Why should we have to participate?”

The House committee chairmen were already hostile to the commission as an unconstitutional intrusion on their budgetary powers. At a dinner with Democratic lawmakers at the Capitol Hill home of Representative Rosa DeLauro of Connecticut a few months ago, Representative [Henry A. Waxman](#), the chairman of the Energy and Commerce Committee, practically “tackled Orszag” in a dispute over the commission, one lawmaker present said.

Mr. Waxman confirmed a “spirited” disagreement. When he learned last week about the hospital exemption, “it amazed me,” he said. “If they think Congress is too political to be involved in Medicare cuts, it seems rather political to have exempted the hospitals.”

A spokesman for Ms. Pelosi said she also opposed the commission.

How the measures fare in the final weeks of debate could determine how well the bill lives up to its original promise of curbing health care costs, said Dr. Mark B. McClellan, an administrator of Medicare and Medicaid in the Bush administration who is now tracking the legislation at the [Brookings Institution](#).

“It is still up in the air,” Dr. McClellan said, adding, “I’d give them an A for effort, but there is a lot more they could do.”

