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Public Plan Goes Down in Senate Health Vote

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WASHINGTON -- A bipartisan Senate vote swept aside demands by liberal Democrats for a government-run health insurance plan, delivering a potentially lethal blow to the most controversial measure of the proposed U.S. health-care overhaul.

Dramatizing Democratic divisions on the issue, five Democrats joined with all Republicans on the Senate Finance Committee to defeat 15-8 a proposal by Sen. Jay Rockefeller for a government plan to help those who couldn't get affordable insurance through their employers. A similar proposal fell by a 13-10 vote.

The two votes suggested that the "public option" is all but dead in the Senate, though it clings to life in the House, where Speaker Nancy Pelosi has said it will be included in a bill to be brought to the House floor. The idea could still revive if the White House weighs in strongly on its behalf. Another possibility is the "trigger" option, where the public plan takes effect only if other steps fail to expand coverage and lower costs.

"I want a bill that can become law," said Sen. Max Baucus, the Finance Committee chairman, who voted with the Republicans against the public option. Mr. Baucus, a Montana Democrat, said the public option can't win 60 votes in the Senate.

Tuesday's votes set up the big drama for the next two months: whether Democrats can put aside intraparty divisions and craft a bill that will win a filibuster-proof 60 votes in the Senate and a majority in the House.

Numerically, Democrats enjoy about as strong a position as they could hope for, with 60 votes in the Senate thanks to the arrival of a replacement for the late Sen. Edward Kennedy, a large majority in the House and a still-popular president in the White House driving the overhaul.

Yet the party has sharp disagreements on key issues including the public option -- which liberals say is a must in the bill -- and taxes. Democratic leaders in the House are still pushing a surtax on the wealthy. But with the Senate Finance Committee opposed, House Democrats are now considering plans to scale back the surtax and pick up some version of a Senate-proposed tax on insurers offering high-cost health plans.

Sen. Rockefeller (D., W.Va.) said in Tuesday's debate that the public plan was essential to protect Americans from the profit-generating practices of insurers that lead them to deny care. "They're getting away with banditry, and they revel in it," Sen. Rockefeller said of insurance companies.

Mr. Baucus's legislation would instead create a network of nonprofit health co-operatives to compete with private insurers. The co-operatives would be seeded with \$6 billion in federal money.

President Barack Obama has pushed for a public plan, saying it will reduce health costs and improve competition among insurers, but he also expressed flexibility in his Sept. 9 speech to a joint session of Congress. He signaled he was open to the nonprofit co-operatives or the trigger option that would set up a government-run plan only under certain conditions.

The trigger idea has been floated by Maine Sen. Olympia Snowe, the one Republican Senate Democrats have hopes of winning over.

Sen. Rockefeller's proposal would have had the public plan initially pay low rates based on those of Medicare, the government-run health program for the elderly. Five Democrats, including Sen. Baucus, opposed it. Sen. Charles Schumer (D., N.Y.) proposed paying rates above Medicare but below those paid by private insurers. He picked up two more Democrats but still lost 13-10.

The votes underscored how difficult it will be for liberals to win approval of a government-run plan when the wider bill is brought to the full Senate in October. Jim Manley, a spokesman for Senate Majority Leader Harry Reid (D., Nev.), said the divisions are a "normal part of the legislative process," and are likely to "lead to a stronger bill."

A White House spokesman said the president believes the public option is "a good way" to increase choice and competition for consumers, but added that Mr. Obama is open to other ideas that achieve that.

Robert Zirkelbach, a spokesman for the insurance trade group America's Health Insurance Plans, said the group was pleased the senators voted against having a public plan but that it was "far too early to know" whether the final bill would call for a public plan.

One other Senate panel, dominated by liberals, has approved legislation with a government-run plan. But the more conservative Finance Committee bill is expected to be the main legislative vehicle in the Senate.

Democrats agree on many of the key points of the legislation. They want to extend coverage to tens of millions of uninsured Americans by expanding eligibility for Medicaid, the federal-state health program for the poor, and providing tax subsidies to help low and middle-income families buy insurance.

Republicans are hammering at what they see as fatal defects in the legislation. They say proposed cuts in Medicare spending are too deep, tax increases too burdensome and the legislative process too opaque and rushed.

"The Democrat Party right now is poised to position itself to raise taxes during a recession, which is the most lame-brained economic stimulus you can come up with," Michael Steele, chairman of the Republican National Committee, said Tuesday.

The 2010 congressional elections loom just over the horizon. With public doubts remaining high, time may soon run short for skittish lawmakers to cast the tough votes needed to propel the legislation forward.

Robert Borosage, co-director of the Campaign for America's Future, a liberal advocacy group, said he expects Senate Democrats will eventually find a way to pull together -- at least on the vote to end a Republican filibuster. "It's hard to imagine there won't be total unity on that," he said. "Everybody understands this is the vote, that Republicans have made this the issue they want to break the president on."

But getting to 60 votes won't be easy, said Sen. Joseph Lieberman, an independent from Connecticut who caucuses with Democrats. In an interview, he suggested a number of Democrats fear the legislation may be too ambitious. "There's a very significant group -- not just centrists -- who don't want to sign off on the 60 votes, without having a level of comfort about where this is headed," he said. "There's another big moment coming."

In the House, ideological divisions are also roiling Democrats. Ms. Pelosi made the case Tuesday for a public plan, saying it can reduce costs to taxpayers. "I believe that we will have a public option in our bill as we go forward," she said.

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