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House Democrats End Impasse on Health Bill

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

WASHINGTON — Efforts to pass sweeping health care legislation took a big step forward on Wednesday as House Democratic leaders reached an agreement with fiscally conservative party members that would cut the bill's cost and exempt many small businesses from having to provide health benefits to workers.

The agreement, brokered by aides to [President Obama](#), overcame a 10-day impasse and would allow a pivotal House committee to resume work on the bill, with an expectation that the panel could approve it later this week.

Under the deal, the Democratic leaders promised to defer a vote by the full House until September, so lawmakers could test public sentiment on the measure, which could fundamentally restructure one-sixth of the nation's economy.

Elements of the agreement reflect priorities shared by centrist members of both parties who have been trying for months to forge a compromise in the Senate Finance Committee.

Under the House agreement, the federal government would still establish a public insurance plan to compete with private insurers, but the public plan would not use [Medicare](#) fee schedules to pay doctors and hospitals, as envisioned in the original House bill. Instead, the public plan would negotiate rates with health care providers, as private insurers often do.

Representative Mike Ross of Arkansas, the chief negotiator for the fiscally conservative Democrats known as Blue Dogs, said the changes were "a huge win for us."

Blue Dogs said the change reduced the likelihood that the government plan would compete unfairly with private insurers by forcing doctors and hospitals to accept below-market rates. As part of the deal, states could, in addition, set up nonprofit cooperatives to offer coverage to individuals, families and small businesses. The Senate Finance Committee is coalescing around a similar idea, as an alternative to a government-run insurance plan, but it was not in the original House bill.

"We have cut the cost of the bill substantially," Mr. Ross said. "We have delayed a floor vote until September. We have protected small business."

But some of the concessions to Blue Dogs set off a revolt among members of the Congressional Progressive Caucus, who said they feared that the public insurance plan was being weakened.

"We do not support this," said Representative Lynn Woolsey, Democrat of California, co-chairwoman of the

progressive caucus. "It's a nonstarter."

In the Senate, negotiations in the Finance Committee were also moving forward — to such a degree that Senate Republican leaders became worried that a deal might be near. One Republican negotiator, Senator [Michael B. Enzi](#) of Wyoming, tried to quash that idea, saying the group was "nowhere near a deal."

"I don't see a way that we can finish before the recess," Mr. Enzi said — just 24 hours after the Senate Democratic leader, [Harry Reid](#) of Nevada, had said he expected the committee to approve a bill next week.

The Energy and Commerce Committee, the third of three House panels to take up the legislation, was to resume work on Thursday.

As he traveled to Raleigh, N.C., and Bristol, Va., Mr. Obama welcomed the agreement. "I'm especially grateful that so many members, including some Blue Dogs on the Energy and Commerce Committee, are working so hard to find common ground," he said. "Those efforts are extraordinarily constructive in strengthening this legislation and bringing down its cost."

The president's travels on Wednesday were part of a White House sales pitch, as officials have been fretting that the script has been hijacked by critics who say that some of his proposals could hurt Americans who already have health insurance.

"These folks need to stop scaring everybody," Mr. Obama said.

After marathon negotiations, four of seven Blue Dog holdouts on the Energy and Commerce Committee reached the agreement with the chairman of the panel, Representative [Henry A. Waxman](#), Democrat of California.

The [Congressional Budget Office](#) said the bill would ultimately provide coverage to most people who are uninsured. Mr. Ross said the Blue Dogs had won concessions that should bring the 10-year cost below \$1 trillion, a goal shared by the Senate Finance Committee.

Senator [Max Baucus](#), the Montana Democrat who is chairman of the committee, said the latest estimates from the budget office indicated that his bill would cost "under \$900 billion."

The House negotiators, including Mr. Ross and aides to Mr. Waxman, said they had agreed to make these changes in the bill:

Most employers would still be required to provide health insurance to workers or pay a new federal tax, but more small businesses could qualify for the exemption, which would be available to businesses with annual payrolls of \$500,000 or less, compared with a threshold of \$250,000 in the original House bill. The maximum tax rate, 8 percent of wages, would apply to employers with payrolls exceeding \$750,000, rather than the original threshold of \$400,000.

[Medicaid](#) would be expanded, as under the original bill, but states would pay a small share of the additional costs, perhaps 7 percent. The federal government would have paid all the additional cost under the original bill.

People with low or moderate incomes could still get federal subsidies to help them buy insurance, but they might have to spend slightly more of their own income — a maximum of 12 percent, rather than 11 percent.

Representative Earl Pomeroy, a Blue Dog from North Dakota, voted against the bill in the Ways and Means Committee on July 17 but said Wednesday that he could support the revised bill.

He said he was pleased that the bill would exempt more of the smallest employers, and that the public plan would not use Medicare payment rates, which are low in North Dakota.

Mr. Ross gave few details about the new provisions to control costs, other than to say that the government would spend less on subsidies and Medicare would save money by linking hospital payments to the quality of care provided, under a new system of “value-based purchasing.”

Carl Hulse contributed reporting from Washington, and Helene Cooper from Bristol, Va.

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