

## ***Alabama Appleseed Health Reform Update***

### ***September 18, 2009***

After an August congressional recess characterized by overflowing, often angry town hall meetings across the country and a now-infamous misinformation campaign about “death panels,” the healthcare reform discussion has settled down a bit. At least some of this moderation may be credited to the President’s pitch-perfect health reform speech to Congress last week. Also helping bring the reform effort back to a discussion of legitimate issues was the much-anticipated release, by Committee Chairman Max Baucus, of the Senate Finance Committee’s health reform bill. Reaction to this bill by both Democrats and Republicans has thrown the spotlight on an issue likely to receive much more attention in the coming weeks – individual affordability.

#### ***President Obama Steps to the Plate***

Going into last week’s health reform address to both houses of Congress, many questioned whether the President would be able to strike the right balance between explaining his specific health reform policy preferences and providing a motivational message that would resonate with the American people. After the speech, most agreed that he’d come pretty close. Notably, the President took formal ownership of reform by providing details for “his” plan. Those details included market reforms such as preventing insurance companies from denying coverage for preexisting conditions and from dropping coverage when policyholders get sick. In describing these insurance reforms, the President sought to engage the many Americans who already have insurance and generally report being happy with their own health situations. The President also went on to describe elements of reform that would help the uninsured such as providing an “exchange” where insurance companies would compete for consumers’ business and the proposal of providing tax credits to consumers and small businesses to help cover the cost of health coverage. Later, while discussing the plan’s cost, the President said that it would come in at “around \$900 billion.” That statement, much to the dismay of some in Congress and most health reform advocates, effectively set the price ceiling on reform. Many feel that setting this ceiling will severely limit the ability to protect Americans, particularly those in the middle class, from paying-out large portions of their incomes to purchase what is expected to be mandatory health coverage. (For more on this, see “Affordability” below.)

#### ***Senate Finance Committee Returns to Center of Health Reform Universe***

Early in the year, when healthcare reform discussions started in earnest, most of the focus was on the Senate Finance Committee, its Democratic Chairman Max Baucus and its Ranking

Member, Republican Charles Grassley. Since that time, the Committee slowly faded to the background as House committees more quickly produced proposed legislation, and time and time again, the Finance Committee missed self-imposed (but President-encouraged) deadlines for completing their work. The delays were blamed on the quest for bipartisanship, and indeed Republican members of the committee's "gang of six" worked to keep some of the more controversial provisions – such as a "public option" – out of the Finance bill. In an ironic twist, when Chairman Baucus presented the committee's bill (or at least the abbreviated "Chairman's Mark" of the bill) earlier this week, not a single Republican member of the committee pledged support. While this has led many Democrats to cry foul, most feel that the Senate Finance Committee, with the release of its less costly (and less ambitious) bill has now reestablished itself as the center of the health reform universe.

A few key features of the Senate Finance bill are: funding for the establishment of "co-ops" or collectively owned, nonprofit groups purportedly to compete with private insurance companies as an alternative to a "public option"; the presence of state-level insurance "exchanges" rather than a national exchange; the inclusion of an "individual mandate" but absence of an employer mandate; financing of the plan through fees on insurance companies, drug makers and medical device manufacturers and through a tax on premiums for "Cadillac" or high-end insurance plans; and a lower level of assistance or "subsidies" (as compared to the House bill) for those with low-to-moderate income to aid in the purchase of mandated health insurance coverage. One early criticism of this bill is that, in the absence of an employer mandate, the bill penalizes larger companies for hiring those with low-to-moderate incomes by forcing the companies to reimburse the government for the companies' employees who receive subsidies to purchase coverage – the so-called "free rider" provision. Critics of the provision argue that this measure provides a strong disincentive for larger companies, dissuading them from hiring individuals with low-to-moderate incomes.

### ***Affordability as a Key Issue***

As mentioned previously, the Senate Finance bill, although including assistance for certain individuals and families (those with incomes between 100% and 400% of the Federal Poverty Level (FPL)), reduces the amount of aid available as compared to similar provisions in the House bill. To date, little public attention has been paid to the actual out-of-pocket cost to be incurred by individuals and families who likely will be mandated to have health insurance coverage. Generally, under the Senate bill, the maximum premiums to be paid by people will be limited to between 3% and 13% of their incomes. Those at 100% of FPL would pay no more than 3% and those at 400% of FPL would pay no more than 13% for premiums. This does not include co-pays or deductibles. Many members of Congress, both Republicans and Democrats, as well as health reform advocates who have begun to look at the level of actual monthly expenses have

predicted that many individuals and families simply will not be able to afford to pay for coverage. For example, a family of three at the moderate-income level of \$63,085 per year (350% of FPL) would be required to pay up to \$8331 per year (about \$700 per month) just for their insurance premiums. Under the House bill, the same family would be required to pay no more than \$6435 per year (about \$536 per month) for premiums. This is where the \$900 billion ceiling on overall reform cost comes back into play. In order to provide greater protection to individuals and families, though higher government subsidies to use towards premiums, it will be very difficult to stay under this ceiling without substantially reducing the quality of the insurance provided – likely meaning higher deductible plans with less services covered. While no easy answer to this conundrum is in sight, it is encouraging that many members of Congress have already identified this issue, and it appears that bi-partisan support exists for focusing on individual affordability.

### ***What You Can Do to Help Promote Healthcare Reform***

As Congress returns to work on the critical issue of healthcare reform, individual members, both Representatives and Senator are interested in hearing from their constituents. Even if you don't go into detail on the issues involved, it is still important to let them know you generally support healthcare reform. To find how you can contact your Congressmen, you may visit: <http://www.congressmerge.com/>.