

Tuesday, October 13, 2009

Contact:

Shannon Spillane, 202-408-1080, spillane@cbpp.org

820 First Street, NE, Suite 510
Washington, DC 20002
Tel: 202-408-1080
Fax: 202-408-1056
center@cbpp.org
www.cbpp.org

**STATEMENT OF ROBERT GREENSTEIN,
EXECUTIVE DIRECTOR, ON
THE SENATE FINANCE COMMITTEE'S HEALTH REFORM PLAN**

Robert Greenstein
Executive Director
T. Scott Bunton
Deputy Director

Board of Directors

David de Ferranti, Chair
Results for Development Institute
Henry J. Aaron
Brookings Institution
Ken Apfel
University of Maryland
Barbara B. Blum
Columbia University
Henry A. Coleman
Rutgers University
Marian Wright Edelman
Children's Defense Fund
James O. Gibson
Center for the Study of Social Policy
Beatrix Hamburg, M.D.
Cornell Medical College
Antonia Hernández
California Community Foundation
Frank Mankiewicz
Hill and Knowlton
Richard P. Nathan
Nelson A Rockefeller Institute of Government
Marion Pines
Johns Hopkins University
Sol Price
Chairman, The Price Company (Retired)
Robert D. Reischauer
Urban Institute
Paul Rudd
Adaptive Analytics, LLC
Susan Sechler
German Marshall Fund
William Julius Wilson
Harvard University

John Kramer
Founding Chair
1937-2006

The Senate Finance Committee's approval of an ambitious health reform plan marks a major step toward enactment of legislation to extend health care to tens of millions of people who lack it, strengthen insurance protections for millions more who are underinsured or face exorbitant charges, and begin to address the nation's most serious fiscal threat — the relentless rise in health care costs.

The Congressional Budget Office has reported that the bill would modestly reduce the budget deficit both over the next ten years and beyond. This is a fiscally responsible bill that would redirect federal spending and tax subsidies from less productive uses elsewhere in the health care sector. (Read: <http://www.cbpp.org/cms/index.cfm?fa=view&id=2920>)

While the committee package represents a vast improvement over the current health insurance system, it has some serious shortcomings that likely would limit its effectiveness in certain areas. Because the health reform bills approved by the Senate Health, Education, Labor, and Pensions (HELP) Committee and three House committees are stronger in those areas, policymakers should blend the best provisions from these bills as they move forward.

Of particular concern are Finance Committee provisions that provide tax credits to help low- and moderate-income households purchase insurance. Under the plan that Finance Committee Chairman Max Baucus initially unveiled in mid-September, those tax credits would not have been sufficient to make insurance affordable for many people of modest means. To his credit, Chairman Max Baucus later strengthened those tax credits significantly. But they need further improvement, as many people of modest means likely would still face costs that would be difficult to meet. For most households with incomes between 133 percent and 200 percent of the poverty line, the premium costs for insurance purchased in the new health insurance exchanges would be two to four times higher under the Finance Committee bill than under the Senate HELP Committee bill or the House bill, as a new Center on Budget and Policy Priorities' analysis explains. (Read: <http://www.cbpp.org/cms/index.cfm?fa=view&id=2922>)

-- more --

Compared to those other bills, the Finance Committee plan also provides less comprehensive benefit packages for low- and moderate-income individuals and families that would result in higher charges for deductibles and co-payments. This is another area where the bill merits improvement. (Read: <http://www.cbpp.org/cms/index.cfm?fa=view&id=2949>)

President Obama has set a \$900 billion limit on the gross cost of coverage expansions in a health reform bill – that is, the cost *before* accounting for measures to finance those expansions. The other House and Senate bills effectively exceed that limit. CBO’s preliminary cost analysis of the Finance Committee plan indicates that the gross cost of its coverage expansions is \$829 billion. Thus, there is room to improve the bill in these areas without running afoul of the President’s limit.

The Finance Committee’s “free rider” provision also remains highly problematic; in fact, the Committee made the provision somewhat worse. This provision would require employers who do not offer health coverage to pay large amounts for low- or moderate-income employees who receive tax credits to purchase coverage in the health insurance “exchanges” — but not to pay anything for employees who do *not* get the tax credits. An employer could be charged \$4,000 or more for each full-time employee from a low- or moderate-income family who receives a tax credit to purchase coverage. (The employer charge would be capped at \$400 times the *total* number of full-time workers a firm employs, including workers who do not receive subsidies.)

Many economists believe this provision would make it harder for people from low- and moderate-income families to secure or retain jobs, a problem the Committee exacerbated by voting to deny employers required to make these payments the right to deduct them as a business expense, even though employers deduct the payments they make for workers’ health insurance premiums. This change will increase the cost to employers of hiring or retaining employees from modest-income backgrounds and, thus, heighten the disincentive to employ such workers. The “free rider” provision also would place significant administrative burdens on employers, because it would be complex and burdensome to administer. (Read: <http://www.cbpp.org/cms/index.cfm?fa=view&id=2921>)

Policymakers should continue to move health reform legislation through the legislative process. In so doing, they should blend the best provisions from the various bills in a way that is fiscally responsible, addresses the shortcomings that remain in the Finance Committee package, and can command the votes to pass Congress in final form.

#

The Center on Budget and Policy Priorities is a nonprofit, nonpartisan research organization and policy institute that conducts research and analysis on a range of government policies and programs. It is supported primarily by foundation grants.