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CBPP STATEMENT

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STATEMENT OF ROBERT GREENSTEIN, EXECUTIVE DIRECTOR, ON THE NEW SENATE HEALTH REFORM BILL

The new Senate health bill marks a major step toward comprehensive, fiscally responsible health reform. It would extend health insurance coverage to 31 million Americans who lack it, reduce the budget deficit, and put long-term downward pressure on health care costs.

The bill would reduce deficits by an estimated $130 billion over the 2010-2019 period and by about one-quarter of one percent of GDP in the decade thereafter, according to the Congressional Budget Office (CBO). This amounts to about $55 billion in 2020 and several hundred billion dollars over the 2020-2029 period. The bill also would likely slow the growth of health care costs over time by, for instance, imposing an excise tax on high-cost health insurance plans, reducing overpayments that private insurers receive through Medicare Advantage, and reducing the cost of prescription drugs in Medicaid.

Moreover, while the bill extends health coverage to 31 million more Americans, it keeps the total federal cost for all health care spending and tax subsidies in the decade after 2019 essentially where it would be under current law, according to CBO. That's because the bill finances its expanded health coverage by redirecting existing spending and tax subsidies from less productive uses elsewhere in the health sector.

All of this represents a stark and welcome change from the treatment of major tax and spending initiatives for nearly a decade. Congress enacted, for instance, the 2001 and 2003 tax cuts and the Medicare prescription drug benefit without offsetting costs that totaled in the trillions of dollars. By contrast, the Senate health reform bill would expand coverage while reducing deficits over both the short and long term. (For more on the fiscal implications of the Senate bill, please read http://www.cbpp.org/cms/index.cfm?fa=view&id=3005)

Affordability

The bill strengthens affordability by improving the premium subsidies in the Senate Finance Committee bill for the millions of households with incomes between 154 percent and 400 percent of the poverty line — that is, between $28,200 and $73,240 for a family of three. Unfortunately, the new bill *reduces* the subsidies in the Finance Committee bill for near-poor households at the bottom of the subsidy range, which already were less than adequate. A family of three with

income of $27,465 (150 percent of the poverty line) would have to pay $1,250 for premiums, or over $400 more than under the House bill. Many families with incomes this low already struggle to pay the rent and utilities and put food on the table and could have difficulty paying this much for health coverage. (For more on affordability, please read: http://www.cbpp.org/cms/index.cfm?fa=view&id=3004)

Employer Responsibility Requirement

The new bill significantly reduces the disincentives that the Finance Committee bill would have created for employers to hire workers from low- and moderate-income families, an important improvement. For some employers, some disincentives to hire or retain such workers would remain, however. Like the Finance Committee bill, the new bill would also create some incentives for employers to convert some full-time positions into positions of just under 30 hours per week. (For more on this point, please read: http://www.cbpp.org/cms/index.cfm?fa=view&id=3003)

Fortunately, the House-passed bill is strong in both the affordability and employer responsibility areas, so Congress can address these problems in a House-Senate conference committee when it irons out a final version of the bill, if not before then.

The Senate should now move without delay to consider this landmark legislation, which would represent a dramatic improvement over the current health insurance system.

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