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STATEMENT OF ROBERT GREENSTEIN, EXECUTIVE DIRECTOR,
ON CHAIRMAN BAUCUS' HEALTH REFORM PLAN

Senator Baucus' plan is a major contribution to the health care debate, as it would extend coverage to tens of millions of uninsured Americans and improve insurance for millions of Americans who already have coverage — through reforms that deal with matters such as pre-existing conditions — and do so while fully offsetting the costs, and beginning to slow the growth of health care spending. The plan does suffer, however, from two key problems that need Congress' attention: insufficient subsidies to help low- and moderate-income people afford health coverage and out-of-pocket costs, and a "free rider" provision that would give employers disincentives to hire prospective workers from low-income families, especially parents with children.

To its great credit, the Baucus plan fully offsets the costs of extending coverage to the uninsured. It would redirect spending and tax subsidies from less productive uses elsewhere in the health sector, and several of the offsets should help slow the rate of growth of health care costs over time. Among other steps, the plan would impose an excise tax on insurance company offerings of high-cost plans, limit tax subsidies for flexible spending accounts, curb overpayments that private insurers receive through the Medicare Advantage program, and cut the cost of prescription drugs in Medicaid. **(Read: <http://www.cbpp.org/cms/index.cfm?fa=view&id=2920>)**

The plan's offsets are essential to support the subsidies needed to make coverage affordable (which as noted are already insufficient) and merit strong support. If efforts to scale back various offsets succeed without other offsets being put in their place, the subsidies will be scaled back further, and health care will be priced farther out of reach for many Americans with modest incomes.

Unfortunately, the plan falls short in the subsidies it provides to help low- and moderate-income people afford health coverage and out-of-pocket costs. That could leave many people who are eligible for subsidies facing fairly steep insurance premiums and cost-sharing charges they could have difficulty affording. **(Read <http://www.cbpp.org/cms/index.cfm?fa=view&id=2922>)**

Also problematic is the plan's "free rider" provision, which would require employers who do not offer health coverage to pay substantial amounts for low- and moderate-income employees who receive subsidies to buy coverage in a health insurance exchange — but not to pay anything for employees who do *not* get subsidies. (It also would require employers who *do* offer coverage to pay if some of their workers receive subsidies because the employers' coverage is not considered

affordable for them.) And by requiring employers to pay extremely large amounts for hiring individuals who receive subsidies for *family* coverage in the exchange, the provision would make it harder for some lower-income parents with children to find jobs. This provision also would place significant administrative burdens and costs on employers because it would be complex to administer. (Read: <http://www.cbpp.org/cms/index.cfm?fa=view&id=2921>)

The Baucus plan lays the groundwork for the enactment of health care reform that would extend coverage to the uninsured, offset the costs, and begin to slow the growth in health care costs. The Senate Finance Committee should now move forward. At some point in the process, Congress also should address the shortcomings in this plan in order to ensure that coverage is affordable for people with modest incomes and that it does not discourage the hiring of people from low-income families, especially low-income parents.

It would be desirable to address these problems in the Finance Committee. But that may not be possible, and if it is not, it would be a great mistake to reject the plan and end up with nothing. Such an outcome would effectively constitute a vote for the *worst* plan on the table — continuation of the status quo, with its massive inequities, 46 million people without insurance (a number the Congressional Budget Office says will grow to 54 million over the next ten years), and spiraling costs.

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