

Health Care Reform: The Most Recent Twist

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Congress has been debating federal health care reform for months and the debate has taken a variety of twists and turns. Until this month, nearly everyone predicted that Congress would pass a comprehensive federal health care reform bill prior to the President's State of the Union address.

Then, the most recent twist occurred.

Scott Brown, a Republican, defeated Martha Coakley, a Democrat, for the U.S. Senate seat from Massachusetts that came open when Ted Kennedy, a Democrat, passed away last year. As a consequence, the Democrats no longer:

1. hold a 60 to 40 majority in the Senate;
2. have the ability to prevent the Republicans from using the filibuster to defeat the passage of a comprehensive federal health care reform bill and;
3. can pass a comprehensive federal health care reform bill over the objection of the Republicans.

Here is where we were immediately prior to Scott Brown's election.

The House and Senate each had passed its own health care reform bill. The common features of these two bills were that:

- Individuals would be required to have health insurance and would be penalized if they did not.
- Employers would be required to provide health insurance to their employees and would be penalized if they do not.
- Medicaid eligibility would be increased.
- Insurance companies would be prohibited from denying coverage to individuals based on pre-existing conditions.
- Insurance companies would be prohibited from rescinding health insurance policies except for fraud.
- Insurance companies would be required to extend dependent coverage to age 26 or 27.
- Insurance companies would be required to spend 80% to 85% of their premium revenue on medical claims or rebates.
- New "insurance exchanges" would be created to make health insurance available to small businesses and individuals who could not obtain health insurance from other sources.
- Medicare coverage would be amended to encourage more preventive services.
- A new governmental agency or non-profit organization would be created to develop a data base on the comparative effectiveness of health care treatments.
- A host of Medicare experiments would be created to try to improve quality and accessibility.

It was predicted that these bills would have increased the number of individuals with health insurance by 31 to 36 million.

A major difference between the House and Senate bills was how to pay for these reforms. The House proposed to pay for the reforms by imposing a 5.4% levy on individuals with incomes of at least \$500,000 and couples earning more than \$1,000,000. The Senate proposed to pay for these reforms by imposing a 40% tax on "Cadillac health plans," that is, employer sponsored health insurance worth more than \$8,500 for individuals and \$23,000 for families. Organized labor in particular is opposed to taxing Cadillac plans in light of its history of aggressively negotiating for employers to provide union members and their families with comprehensive health insurance coverage.

The question looming now in light of the election of Scott Brown is where do we go from here?

An immediate reaction of some Democrats was for the House to quickly vote in favor of the bill that already has passed in the Senate. However, it appears that there is sufficient disagreement in the House to the Senate bill that the House will not bring the Senate bill to a vote.

A second reaction was to try to find a Republican who would cross the line and commit to vote in favor of a comprehensive federal health care reform bill. The likely candidate would be Olympia Snowe, a Republican Senator from Maine, who previously cast a vote in favor of comprehensive health care reform legislation in the Senate Finance Committee.

A third reaction was to start over.

A fourth reaction--and the President's reaction--is to no longer engage in a fight on health care reform along party lines, but rather to "move quickly around those elements of the package people agree on."

Stay tuned. Undoubtedly, more twists and turns are in store ahead.