

Kennedy Health Care Reform Bill

July 21, 2009

On July 15, the Senate Help Education and Labor Committee (HELP) passed a revised version of the original Kennedy health reform bill introduced in June. Although the new bill attempts to cut the costs of the legislation, it does not solve the three main issues confronting health care (cost, quality, and access). In fact, the chief Democratic economist, CBO Director Doug Elmendorf, recently told the Senate Budget Committee that both the House and Senate health care reform bill would increase federal health care costs, not lower them.

Who Controls Your Health Care?

Require Americans to Buy Insurance — Individual Mandate

- The bill will require individuals to buy health insurance, under penalty of law, even before you buy groceries, gas, or pay your rent. Of course, the government (not you) will decide what type of health insurance you will be forced to buy.
- This will be a magnet to special interests wanting to ensure their respective services are required by the mandate.

Penalize Businesses that Don't Provide Insurance to their Employees — Pay-or-Play

- The government will require employers to purchase government-approved insurance for their employees.
- Employers who don't comply will be forced to pay a tax to the government. Firms with more than 25 workers, who don't offer coverage or who pay less than 60 percent of employee's monthly health insurance premiums, would be subject to a "play-or-pay" requirement initially equal to \$750 per full-time worker and \$375 per part-time worker.
- A July 13 CBO report argues that workers will bear the cost of imposing pay-or-play mandates through lower wages. Employers will also hire fewer workers or lay off workers they can't afford due to the increased costs.

- According to the CBO those currently paid close to or at the minimum wage would be the ones most likely affected because their wages could not be lowered enough to absorb the costs.

Government-run Public Option — Medicare-for-All

- The bill creates a new government-run health plan that will undercut the private market and force people to lose their private health insurance.
- A government-run "Medicare-for-All" plan will likely pay below-market rates and avoid most of the regulations that the private market must obey.
- Reimbursement rates for the government-run option will be negotiated by the Secretary of the Department of Health and Human Services and cannot be higher than the average of all reimbursement rates in the insurance exchange.
- Many employers will be pressed to drop their insurance benefits and send their employees over to the new government plan, which (according to the Lewin Group) will cause 119 million Americans to lose their private coverage. All told, more than three-quarters of Americans would be in a government-run plan.
- New health insurance policies sold in the individual and group insurance markets would be subject to new mandates.

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Government will Regulate What Insurance Americans Buy – New Regulations

- Like the House health care reform bill, the Senate HELP bill would establish an health insurance exchange in each state that would regulate the minimum health coverage insurance companies must provide.
- The bill would add a host of new insurance regulations requiring insurers to accept everyone that applies for insurance at rates that are not allowed to adjust for risk. In states that have similar regulations the premiums are between two to three time higher than those states that do not require this.

Will it Lower Health Care Costs and Increase Quality and Access?

Cost of Legislation

- The June draft of the Kennedy bill cost \$1 trillion 2010-2019, but the CBO now estimates that the current HELP committee bill will cost \$615 billion over 10 years. However, this does not include costs associated with the expansion of Medicaid, which will be decided by the Senate Finance Committee bill.

Subsidies for Low-income Families – New Government Entitlement

- Middle class families earning up to \$88,000 per year (for a family of four) will receive new taxpayer subsidies, making health care a new government entitlement– even if you can pay for it on your own.
- The Kennedy bill requires that the premiums for all plans enrolling in the insurance exchange cannot exceed 12.5 percent of individual adjusted gross income.
- A better way to achieve this would be through a uniform tax credit similar to ideas in the proposals offered by Sen. Tom Coburn (R-OK) and Rep. Paul Ryan (R-WI).

Coverage of Uninsured – Health Care Access

- The CBO has estimated that the Senate HELP bill will only move 20 million Americans off of the uninsured roster.