

The Christian Science Monitor

politics

Healthcare reform hangs on cinching the cost to taxpayers

Latest effort to lower the federal price tag taps companies that don't offer health insurance to employees. They would pay an annual fee.

By **Gail Russell Chaddock** | Staff writer/ July 3, 2009 edition

WASHINGTON

The drive to overhaul healthcare gets under way in earnest next week when Congress returns from recess, and how far the legislation advances turns on its price tag – and whether lawmakers can make good on promises to cover most Americans.

Senate Democrats declared a modest victory Thursday by reining in a deal-breaking \$1 trillion-plus cost estimate. A new draft of reform legislation by the Senate Health, Education, Labor and Pensions (HELP) Committee winnows the 10-year tab to \$611 billion, according to the Congressional Budget Office.

The key to cost savings is a new provision for the “shared responsibility of employers.” It requires companies that do not offer health insurance to employees to pay an annual fee to government to offset costs of providing a publicly run insurance plan: \$750 per full-time worker and \$375 per part-time worker, exempting firms with fewer than 25 employees.

The new plan marks “a significant [cost] reduction from earlier estimates,” said Sens. Edward Kennedy (D) of Massachusetts and Christopher Dodd (D) of Connecticut, chairman and acting chairman, in a letter to panel members. “In addition,” they wrote, “our bill, combined with the work being done by our colleagues in the Finance Committee, will dramatically reduce the number of uninsured – fully 97 percent of Americans will have coverage, a major achievement.”

First cost estimate a show-stopper

A CBO estimate last month set the cost of a previous HELP proposal at \$1 trillion over 10 years and found that two-thirds of some 47 million uninsured Americans would still be without health coverage. That report, although characterized as partial and incomplete, sandbagged momentum on the bill and fueled opposition ad campaigns.

Hailing the new Senate proposal, President Obama said in a statement Thursday: “When merged with the Senate Finance Committee’s companion pieces, the Senate will be prepared to vote for health reform legislation that does not add to the deficit, reduces healthcare costs and covers 97% of Americans.”

But what about the cost of expanding Medicaid?

Critics caution that the lower cost estimate is still smoke and mirrors because it does not include the costs of expanding Medicaid to families earning up to 150 percent of the poverty level – about \$33,075 for a family of four. That’s the level needed to get to the president’s target of 97 percent coverage.

“They’re being a little disingenuous with that \$600 billion price tag, because without scoring the expansion of Medicaid, you don’t get close to universal coverage,” says Michael Tanner, a senior fellow at the CATO Institute, a libertarian think tank. “If you include that, you’re probably back to \$1.2 trillion.”

Most businesses unhappy, but Wal-Mart’s on board

Most business groups oppose the so-called “pay-or-play” requirement for businesses, but on Wednesday retail giant Wal-Mart Stores Inc. boosted momentum for the Senate plan by backing the employer shared responsibility provision.

“Not every business can make the same contribution, but everyone must make some contribution,” said Wal-Mart chief Mike Duke in a letter to Mr. Obama on Tuesday.

“The earlier version [of the Senate plan] assumed that substantial numbers of employers would drop coverage,” says Robert Greenstein, executive director of the Center on Budget and Policy Priorities. “Under this later version of the bill, CBO has found that the HELP Committee has significantly solved that problem. By virtue of having that requirement, many fewer employers are expected to drop coverage. They avert billions of costs and subsidies.”