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Sticker shock' threatens to stall health care overhaul

By DAVID LIGHTMAN AND WILLIAM DOUGLAS
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No one can figure out a politically acceptable way to pay for an overhaul of America's health care system, and until someone does, the effort is stalled.

Maybe indefinitely.

"It's quite feasible that the whole thing could crash and burn because of sticker shock," said Michael Tanner, a health care analyst at the Cato Institute, a libertarian research center.

Frustration was evident in the Senate Finance Committee, where members are known for working in bipartisan fashion. The panel had hoped to write legislation this week, but that's now off until July.

"We're not there yet," explained Sen. Max Baucus, D-Mont., the panel's chairman.

Legislative committees plan hearings and bill-writing sessions this week, and will face two key cost-related obstacles: No one really knows any plan's price tag, and few so far are willing to take the political risk of raising taxes to pay for it.

Add to that growing public wariness: Polls show people are increasingly disturbed by record federal deficits.

A Wall Street Journal/NBC News poll conducted June 12 to 15 found that 58 percent said that the president and Congress should focus most on keeping the deficit down, even if that means it will take longer for the economy to recover.

In addition, there's no public consensus on how to revamp health care.

"While there was a mandate for change in November, there was never consensus on how that change should come about, both on health care and the economy," said pollster John Zogby.

It will be done, congressional leaders said.

"The health care bill will be paid for," House Speaker Nancy Pelosi, D-Calif., said on Thursday. That means the cost of any new program will be offset by tax increases or spending cuts so as not to increase the deficit.

Lawmakers from both parties said that they agree on most principles. "Our goals are pretty similar," said Sen. Lamar Alexander, R-Tenn., the chairman of the Senate Republican Conference.

Washington policymakers, no matter their ideology, know that health care expenditures are now about 18 percent of this country's gross domestic product, and the White House estimates that by 2040, nearly one of every three dollars could be spent on health care.

Most members of Congress are seeking a legislative package including incentives for disease prevention, help for lower-income people, aid to businesses that provide coverage and some way to curb medical costs.

So far, however, the costs are a boulder that no one can move.

The White House is trying, saying it can save \$622 billion in health care costs over the next 10 years by paring hospital subsidies to the uninsured, changing how certain Medicare payments are made to providers, and cutting waste and fraud from Medicare and Medicaid.

Tax increases would cover the rest of its program's \$1 trillion price tag. In May, Obama's big idea was to limit charitable deductions for taxpayers in top income brackets, a plan that was quickly criticized by lawmakers in both parties.

Marc Goldwein, the policy director for the nonpartisan Committee for a Responsible Federal Budget, estimates that Obama's health care policies would cost more than the White House figured - he estimated \$150 billion a year.

He said the administration could scrape up some of the money from savings created by revamping health care, but that wouldn't yield enough to pay for the plan. One potential source of revenue is to cap the tax exemption of employee health benefits.

"That's certainly not popular, but the bottom line is, if you have to find \$150 billion a year, you have to look somewhere. They need the money," Goldwein said.

The search for money is proceeding on several fronts. Democrats on the Senate Committee on Health, Education, Labor and Pensions are furthest along, writing a plan that the Congressional Budget Office estimates will cost about \$1 trillion over 10 years.

The plan would help people find coverage and help them pay the premiums. The average subsidy would be about \$5,000 in 2015, rising to \$6,000 four years later.

CBO said those subsidies alone would cost an estimated \$1.28 trillion, costs that would be offset slightly by savings and revenue gains from other steps in the overhaul plan.

Tanner warned - and CBO officials agreed - that such initial estimates are the "floor, not the ceiling" on costs. Previous recent health care overhauls, notably Medicare's prescription drug program and Massachusetts' universal coverage plan wound up costing far more than anticipated.

Former Senate leader Bob Dole recalled how, in his 37 years in Congress, "I don't know how many times (government budget estimates) were wrong ... If you look at it, go back to the original Medicare legislation, I think the estimate was X and it rose, you know, quadrupled in a very short time. So I assume that they try hard and do everything they can, but I don't know how you can predict what's going to happen over 10 years. It's going to depend on a lot of things that could happen that we're not even aware of."

Most Republicans have recoiled from tax increases for three decades, and feel no differently now. "We'd have to either charge the money to the national credit card or, more likely, raise taxes on working families," charged Sen. Mitch McConnell, R-Ky., the Senate Republican leader.

However, some Republicans are ready to join Democrats to fashion a workable plan. "For Americans to have confidence in this program it has to be bipartisan," said Sen. Mike Enzi, R-Wyo., the top Republican on the health committee. On the finance committee, at least four Republicans are talking to Democrats about consensus.

Enzi wouldn't rule out tax increases, but he noted, "We all have to agree to put our fingerprints on it."

The tax option discussed most is subjecting employer benefits to taxation, an idea floated during the 2008

presidential campaign by the Republican candidate, Sen. John McCain of Arizona. After a June 2 White House meeting, some senators said they were told that Obama is willing to consider such a tax, which he'd opposed as a candidate.

In 2007, private businesses spent about \$518 billion on health benefits for employees. Congress' Joint Committee on Taxation estimates the tax break meant \$246 billion in lost federal tax revenue that year.

The discussions will go on, with leaders of the House of Representatives hoping to have legislation ready for debate by late July.

But, said Rep. Charles Rangel, D-N.Y., the chairman of the House Ways and Means Committee, there's a long way to go.

"Everything's on the table," he said. "Nothing's locked in cement."

ON THE WEB

White House release on health care savings: <http://www.whitehouse.gov/MedicareFactSheetFinal/>

Congressional Budget Office analysis of Senate Democratic health care plan: <http://www.cbo.gov/ftpdocs/103xx/doc10310/06-15-HealthChoicesAct.pdf>

Congressional Budget Office analysis of President's 2010 budget: <http://tinyurl.com/loro28>

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