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# How much health care for \$1 trillion?

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By Saul Loeb, AFP/Getty Images

President Obama, answering a question from cancer patient Debby Smith at a forum in Annandale, Va., on July 1, says health care "is no longer a problem we can wait to fix."

By Susan Page, USA TODAY

WASHINGTON — The White House and Democratic congressional leaders, scrambling to pass health care bills within the next few weeks, are trying to keep the cost of legislation that expands coverage and controls costs to about \$1 trillion over 10 years — a benchmark for moderates in both parties.

So what can you buy for \$1 trillion?

Although the eye-popping price tag would help boost insurance coverage to 95% or more of the public, it's not enough to do everything advocates initially want.

The proposals being shaped in Congress — including the \$1.042 trillion bill unveiled by House Democratic leaders Tuesday — offer subsidies to fewer moderate-income families than originally intended, bar most workers from choosing to leave their employer-provided plans and likely drive up Medicaid costs for states.

**THE PLAN:** House Dems' health bill would tax rich

At the end of a decade, 15 million to 20 million would remain uninsured, according to assessments by the non-partisan Congressional Budget Office—a sticking point for critics who argue the whole enterprise doesn't get enough bang for the buck.

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Nearly 50 million now lack coverage.

"One of the major concerns that Americans have about health care reform is the price tag," Senate GOP leader Mitch McConnell said Monday on the Senate floor. "Every proposal we've seen would cost a fortune by any standard."

President Obama defends the overhaul as a critical investment to fix a dysfunctional system he says is hobbling many families

## HOW MUCH IS \$1 TRILLION?

It's a huge sum -- a "1" followed by a dozen zeroes: \$1,000,000,000,000. For some perspective, here are some comparisons. One trillion dollars is:

- The annual gross domestic product of South Korea
- The combined net worth of the world's 90 richest people
- Enough to buy 222 U.S. Navy Nimitz-class aircraft carriers
- Enough to give \$325.50 to everyone in the USA each year for 10 years
- The combined market capitalization of Google, Apple, Microsoft and Intel, plus enough to buy an iPhone for everyone in China and India

Reported by Blair Brettschneider

and threatening the nation's fiscal future.

"This is no longer a problem we can wait to fix," he said Monday at the White House. "Inaction is not an option."

Here's the squeeze for policymakers: Allow the price tag to grow much past \$1 trillion and you risk losing the support of fiscal hawks in Congress and voters alarmed by the costs of stimulus spending and corporate bailouts.

Because the president has promised the health care plan won't increase the deficit, a bigger bottom line means more taxes would have to be raised, or spending cut, to offset it.

On the other hand, cut back too far and you imperil the legislation's fundamental goal of giving everyone access to health insurance they can afford. That could undermine support from the strongest advocates for change.

The battles roiling the negotiations — and threatening Obama's call for votes in the House and Senate before their August recess — center on which taxes should be raised to finance the bill and whether the plan should include a public, government-run option to compete with private insurers.

There is much less debate about how the money should be spent, though the details differ.

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The plans emerging in the House and Senate envision three big-ticket items that would consume the lion's share of the money: subsidies to help low- and moderate-income Americans buy insurance on new health exchanges; a dramatic expansion of Medicaid to cover the poor; and incentives to encourage small businesses to offer health insurance to their workers.

"It's all these moving parts," says Judith Solomon of the liberal [Center on Budget and Policy Priorities](#). "When you move one, you get pressure on something else — that's what they're facing."

In the House, the Education and Labor Committee opens hearings on the House bill today, and the Ways and Means panel begins work Thursday.

In the Senate, the Health, Education, Labor and Pensions Committee is in the middle of hearings marking up its version.

And the Senate Finance Committee is discussing options while closed-door negotiations continue. Its bill could be unveiled this week.

Here's a look at where the money would go.

## 1. Helping to pay premiums

There's general agreement on how to guarantee that nearly everyone has health insurance: pass a law that says they have to have it, just as automobile owners have to have car insurance.

To make the mandate work, the government would set up insurance exchanges where individuals and small businesses could shop among competing plans. Low- and moderate-income workers would get subsidies to help pay the premiums.

Those sliding subsidies are by far the biggest single cost in the health care plans — perhaps two-thirds of the total. The Congressional Budget Office (CBO) pegged the House and Senate health committee versions at more than \$700 billion.

Economist [David Cutler](#) of Harvard cites two main reasons why it's expensive: First, health insurance costs so much that even some middle-income families need help to afford it. Second, the subsidies would go to everyone who meets the income guidelines, even if they already have coverage.

That's good news for them, of course, but it adds to the legislation's cost without affecting the overall number of uninsured.

As congressional negotiators try to meet the trillion-dollar benchmark, the number of people eligible for the subsidies has been scaled back and the size of the subsidies trimmed.

That is likely to add to the number of Americans who remain uninsured: Those for whom coverage is judged "unaffordable" — based on what proportion of their income would have to go to premiums — would be exempt from having to buy insurance.

The House bill would offer subsidies to those who earn up to 400% of the federal poverty level. (That's \$43,320 for an individual and \$88,200 for a family of four.) The Senate health committee initially proposed subsidies for those making up to 500% of poverty but pared it to 400%.

Under those plans, up to 30 million people would buy insurance on the exchanges, the CBO estimates, and more than eight of 10 would be eligible for subsidies. By 2019 the subsidy would average about \$6,000 per person.

House Democrats and the Senate panel also have moved to limit who could use the exchanges. People who have the option of buying affordable insurance at work wouldn't be able to use the exchange, even if they thought it would be a better deal for them. That's another way to hold down costs.

Without those limits and some other steps, the CBO estimated that the Senate subsidies would cost nearly \$1.3 trillion over 10 years.

Limiting the ability of workers to move to the exchanges and get the subsidies helped reduce that expense to \$723 billion — still a sizable sum.

The second-biggest cost is a significant expansion of Medicaid, the federal-state health care program for the poor.

## 2. Expanding Medicaid

Under the proposals being discussed, anyone with annual income that puts him or her at the federal poverty level or slightly above it would be eligible to sign up for Medicaid. Now, states set rules about who is eligible to sign up, but none allows all poor adults to enroll.

At the House threshold of 133% of poverty, CBO estimates an additional 11 million people would sign up for Medicaid. Raising the limit to 150% of poverty, as the Senate panel envisions, means an additional 15 million to 20 million people would enroll.

The estimated 10-year cost: \$500 billion.

Some governors are raising alarms that the measure will increase the burden on their hard-pressed states, which pay part of Medicaid's costs.

The House bill calls for the federal government pick up all the new Medicaid expenses, and it promises to enact big savings in the program. The Senate Finance Committee has suggested the federal government would help states with their extra costs only for the first five years.

"This would be a haymaker thrown right at our taxpayers," says Indiana Gov. [Mitch Daniels](#), a Republican and former budget director in the [George W. Bush](#) administration.

He says expansion of Medicaid to 150% of poverty could increase the state's costs by \$750 million a year — 5% of

the state budget — and wipe out an innovative Indiana health care program.

Although Indiana is now solvent, unlike California and some other states, "that would be a monster of a mandate," Daniels says.

Mississippi Gov. [Haley Barbour](#), chairman of the Republican Governors Association, says the expansion would swell his state's Medicaid rolls by about one-third, to 900,000 from 600,000, and risk crowding out spending on things such as education.

"The proponents in Washington say, 'Don't worry, the federal government is going to pay for it all,'" Barbour says. "Forgive me if I'm skeptical."

State costs are likely to increase even if the federal government covers the cost of recipients who weren't eligible for Medicaid before.

In [Massachusetts](#), which has become a kind of testing ground on health care, passage of an individual mandate for health insurance in 2006 prompted thousands of people who already were eligible for Medicaid but hadn't signed up to enroll.

### 3. Boosting small businesses

The House and the Senate health committee plans include play-or-pay provisions that require employers to offer health insurance for their workers ("play") or pay a government fee ("pay").

Small businesses would be exempt. The Senate committee defines that as a company employing fewer than 25 people; the House bill exempts companies with payrolls of less than \$250,000.

Both plans include incentives — subsidies or tax credits — for small businesses to use the new insurance exchanges to buy coverage for their workers. Companies with low-wage workers are targeted.

The CBO estimates the cost of the provisions in each bill at more than \$50 billion over 10 years.

There are other costs with the health care blueprints — the House bill runs more than 1,000 pages — including the task of setting up the exchanges and devising a government-run plan, if there is one. (The administrative costs for both eventually would be covered largely by the premiums paid.) And the health care bills are laced with spending that reflects the particular interests and concerns of key members of Congress.

"There is the usual sausage-making aspects of this," says Michael Tanner of the libertarian [Cato Institute](#). "Special grants to constituencies, money for rural health care, money for inner-city hospitals ... payments to particular diseases."

The other items don't come close to the price tags for the three big-ticket items, though. "That's chump change," Cutler says.

At least it is in the context of \$1 trillion.

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