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THINK TANKS ON THE BAUCUS HEALTHCARE PROPOSAL

By *kwallace* on *Sep 16, 2009*

Earlier this morning, Sen. Max Baucus (D-MT) released his vision for a healthcare reform bill ([Click here for a PDF version of the bill to read yourself](#)). In it he describes the current law as well as his proposed changes or additions. Some of the issues addressed include: a public option, taxes on the healthcare industry, individual and employer mandates, Medicare cuts, and expansion of Medicaid eligibility.

On the issue of the public option, the Heritage Foundation declares that "While [the proposal] drops explicit endorsement of a public option, the legislation creates a CO-OP which is literally an acronym for a new federal program – not the empowerment of existing co-ops – and it is in reality a thinly disguised public option." The Cato Institute adds that "The co-ops are unlikely to have much, if any, impact on the cost or availability of health insurance, but are far preferable to a government run plan."

The Baucus proposal, says the Heritage Foundation, creates "a 35 percent excise tax on higher-cost plans, together with a new sales tax on pharmaceutical, health insurers, clinical laboratories and medical device manufacturers." Heritage believes that these costs will inevitably "be passed through to patients." The Cato Institute agrees that the burden of these new taxes will fall "on to consumers in the form of higher premiums," adding that "Roughly half of Americans, mostly middle-class, would be impacted."

According to the Cato Institute, Baucus' plan "contains a heavily punitive individual mandate, a requirement that every American purchase a government-designed minimum insurance package." The punishment for non-compliance runs "as high as \$3,800 for a family of four." Although the proposal contains a clause identifying "grandfathered" plans as exempt, the Cato Institute finds the document "vague about what qualifies as 'grandfathered.'" The Heritage Foundation stipulates that "This would break the President's pledge to reduce insurance costs for families" because "a mandate on individuals to purchase insurance, combined with the taxes and new rules, will push up the cost of coverage."

An employer mandate does exist under the Baucus "bill," reports the Cato Institute, though it "is much watered-down." Additionally, despite a "no specific requirement for employers to provide insurance," employers would have to pay the government any subsidies it is providing for employees to purchase insurance on their own dime. Cato goes on to argue that "Since it will ultimately be the worker who pays the mandate's cost, through reduced compensation or reduced employment, the government will be giving the worker a subsidy with one hand, and taking it back with the other." Such a plan, according to the Heritage Foundation, "will hit the incomes and jobs of low-income workers." Heritage further suggests that "Despite limited new subsidies for individuals, many low-income and middle-income Americans will have to pay more for coverage or break the law."

Finally, the Heritage Foundation says that "Federal taxpayers will have to pick up almost all of the cost of an expansion of Medicaid, although states will also face additional costs and yet not be granted the necessary flexibility to reform Medicaid." The Cato Institute joins in on the argument adding that "The plan would force states to increase Medicaid eligibility to individuals at 133 percent of the poverty level" but the federal government would only pick up some of the tab while leaving the states to pick up the rest. Furthermore, Cato states that while Medicaid eligibility is increasing, the proposal "would cut payments to the Medicare Advantage program." As a result, insurers may be forced to exit the program. Some insurers could charge higher premiums or "Millions of seniors will likely be forced off their current plan and back into traditional Medicare."

For more information on the Baucus proposal see these articles from the Cato Institute and the Heritage Foundation, both of which served as sources for the quotes in the above:

<http://www.cato.org/pressroom.php?display=ncomments&id=275>

<http://blog.heritage.org/2009/09/16/flawed-baucus-bill-is-not-the-roadmap/>

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