

Healthcare Update: The Debate Over the Public Option



House Speaker Pelosi said the House will push for the strongest public option possible to take into negotiations with the Senate on a healthcare overhaul, while a key House committee laid the groundwork to use the filibuster-proof reconciliation process to pass the bill if necessary.

Pelosi dodged questions about whether the House would back down if senators insist the final bill drop a public option that could compete with private insurers.

Senate Health, Education, Labor and Pensions Chairman Tom Harkin (D-Iowa) said last week the Senate's final healthcare overhaul legislation will include a public option. Harkin said he counts 52 Senate Democrats who solidly support a public option.

Senate Finance Committee Chairman Max Baucus (D-Montana) said last week that he expects "ever Democrat in the Senate – and perhaps more than one Republican – will support legislation overhauling the nation's healthcare system." The statement came after a meeting Thursday with Senate Majority Leader Harry Reid (D-Nevada), "White House Chief of Staff Rahm Emanuel, and other officials wrestling to merge the Finance bill with a more liberal version passed by the Senate Health, Education, Labor and Pensions Committee."

The HELP bill includes a public option under which the government would negotiate rates with providers, while the Finance Committee supported a co-op insurance system.

Sen. Olympia Snowe of Maine, the only Republican to support a Democratic healthcare proposal, has said she can support a public option if it is triggered only when private insurers are not providing affordable plans.

Lawmakers are still deciding how to shape the public plan. Leaders are pushing to include a public option based on Medicare rates – a move they say could save \$85 billion more than an alternative that would require the HHS Secretary to negotiate rates with providers.

Lawmakers also have to decide how to raise enough revenue to cover the cost. The House bill relies primarily on a surtax on millionaires, while the Senate's version of the bill would tax the most expensive insurance plans. Labor unions are expected to keep up the pressure this week on lawmakers to ditch the proposed tax on "Cadillac" plans, which they argue would hit middle-class families disproportionately.

Meanwhile, House Democrats are floating the idea of a windfall-profits tax on the private health insurance industry as a way to finance their healthcare overhaul, and to drum up support among members of a divided caucus. House Speaker Nancy Pelosi (D-California) called the windfall profits tax idea 'very preliminary,' saying she's asked House Ways and Means Chairman Charles Rangel (D-New York) to look at how much the tax could raise.

The insurance industry, which had been an ally in the battle for reform, is suddenly blasting the Senate plan with an estimate that says by 2019, the measure would have the average family paying \$4,000 a year more in premiums than they would without reform.

House Speaker Nancy Pelosi (D-California) warned insurance companies on Thursday that healthcare reform could cost the industry dearly through new fees, fewer regulatory protections and fresh competition from the federal government. The warning came after "harsh statements Wednesday from senior Senator Democrats," all "in response to the insurance's lobby's aggressive campaign to block reform legislation from advancing."

Speaker Pelosi argued "that the case is growing stronger for allowing the government to sell health insurance in competition with private companies, contending recent attacks from the industry should dispel any doubts."

Michael D. Danner, senior fellow at the Cato Institute, wrote in USA Today last week, "It is not that the US doesn't need healthcare reform, but it needs the right type of reform." Danner asserts that "the problems facing our healthcare system stem not from too little government control, but too much." Moreover, "government programs,

such as Medicare and Medicaid, are trillions of dollars in debt and are models of waste, fraud, and inefficiency." Arguing that "the bills now before Congress don't fix these problems," but instead "simply pile on new mandates, regulations, taxes, and subsidies," Danner concludes, "It's time for Congress to scrap its current flawed government-centered approach and start over with a focus on creating a consumer-oriented free market in healthcare."

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