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POLITICS

Health Bill Fail-Safe: Slash Subsidies If Costs Are Too High

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The Senate Finance Committee's ranking Republican Sen. Charles Grassley, R-Iowa heads to the Senate on Capitol Hill in Washington, Thursday, Oct. 8, 2009. On Thursday, Senate Majority Leader Harry Reid of Nev. announced that the Finance Committee will vote next week on the health care bill. AP [View Enlarged Image](#)

Some doubt that lawmakers' response to unexpectedly large health costs would be to enforce cuts to insurance subsidies.

"This is Congress. Things are never safe from fail," said Michael Cannon, director of health policy studies at the libertarian Cato Institute. "Will this be like the cuts mandated by the Sustainable Growth Rate? It's a gimmick. The reason it will fail is it cannot bind future Congresses."

The SGR is supposed to trigger automatic cuts in Medicare physician payments when they rise too fast. Due to intense pressure from doctors, Congress has rescinded those cuts every year since 2003.

The Grassley fail-safe mechanism could potentially affect millions of middle-class voters.

"People are already worried about what this bill will ask them to do," said Michael Miller, director of strategic policy for Community Catalyst, a liberal health care advocacy group. "If people understand that any cost overruns will come out of their wallets, there could be a lot of popular discontent."

But Grassley warned about "our ballooning budget deficit. ... These are alarming figures. And they cause more than concern for folks back

Middle-class Americans could see their proposed insurance subsidies slashed under Sen. Max Baucus' health care plan if that plan costs more than expected. But skeptics doubt Congress would go along.

The amendment, inserted by Senate Finance Committee ranking member Charles Grassley, R-Iowa, added a "fail-safe" mechanism to ensure that health care reform doesn't increase the deficit.

"It's really pretty impossible to predict exactly how the spending in this bill will play out," Grassley said in introducing the amendment.

"Especially when you think about predicting spending for 10 years down the road."

The amendment requires that, starting in 2012, the Office of Management and Budget determine each year if the Baucus bill adds to the federal deficit. If so, premium subsidies would automatically be cut by that amount.

Grassley says he's backing up President Obama's vow that the health care fix not add "one dime to our deficits" by setting mandatory spending cuts if needed.

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home. I've heard these concerns loud and clear during my town meetings this year."

CBO estimated Oct. 7 that Baucus' bill would cost \$829 billion over 10 years. But thanks to new taxes and spending offsets, it would reduce the 2010-19 deficit by \$81 billion, CBO says.

The Baucus bill would subsidize buying health insurance on an exchange. Families and individuals from 134%-400% of the federal poverty level would get subsidies on a sliding scale based on income.

Health Security, Insecure

A family of four at the 250% poverty level (\$55,125) would pay \$9,400 a year for insurance, \$4,198 which would be subsidized under the Baucus plan, according to the Kaiser Family Foundation. A 5% cut would reduce that to \$3,988.

"Either subsidize it or don't," said Greg Scandlen, president of Consumers for Health Care Choices at the conservative Heartland Institute. "People need to be able to plan, families need to budget."

"If you want to get costs under control, you have to get at the underlying cost drivers," said Robert Zirkelbach, spokesman for the industry group America's Health Insurance Plans. "This doesn't."

The Finance panel passed Grassley's amendment without objection. But some suggest that it may not survive the full Senate.

"Republicans like Olympia Snowe and the Democrats are concerned about affordability for the middle class, and that's what makes it hard to predict where (the amendment) will land," said Kathleen Stoll, director of health policy at the liberal Families USA.

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