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Monday, October 19, 2009



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# Health Care

Our panel of insiders discusses key issues

+ Earlybird

updated Monday, October 19, 2009



«CBO's Latest Score: An \$81B Deficit Reduction | Main page | Defining Universal Coverage»

TUESDAY, OCTOBER 13, 2009

## Health Insurers' 11th-Hour Outburst

How much merit is there to 11th-hour insurance industry claims that the health reform bill scheduled for a vote in the Senate Finance Committee this week would raise insurance premiums? And how big a problem is it that the industry, which had generally been cooperative in the reform effort, is now lashing out?

America's Health Insurance Plans Sunday created a stir when it released a report commissioned from PriceWaterhouse Coopers that pointed to four provisions in the Finance Committee bill as potentially increasing private insurance costs for individuals, families and businesses above what their costs would be minus reform. With the enactment of four specific provisions, the cost of coverage would increase by 111 percent, according to the report. The problems, it says, are "insurance market reforms coupled with a weak coverage requirement, a new tax on high-cost health care plans, cost-shifting as a result of cuts to Medicare, and new taxes on several health care sectors."

With these provisions in place, would health insurers still benefit from reform?

-- Marilyn Werber Serafini, NationalJournal.com



## 11 Responses

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RESPONDED ON OCTOBER 17, 2009 4:07 PM

**Michael F. Cannon, Director of Health Policy Studies, Cato Institute**

In his weekly radio address, President Obama says private health insurance companies are "filling the airwaves with deceptive and dishonest ads."

Gee, I wonder if the insurers will dishonestly deceive even half the number of people that President Obama did during his address to Congress.

(Cross-posted at Cato@Liberty.)

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RESPONDED ON OCTOBER 13, 2009 4:17 PM

**Henry Simmons, M.D., President, National Coalition on Health Care**

House Democrats and for that matter, every Member of Congress, should be concerned about every factor of health care costs, including the amount of profit generated.

At the same time, America's Health Insurance Plans (AHIP) is correct in pointing out that health plan profits are not the major factor driving health care costs. In fact, a recent Atlantic Monthly Magazine article concluded, that confiscating the annual profits of every U.S. health insurance company, would pay for only four days of health care for all Americans, while seizing the profits of the ten largest U.S. drug companies would pay for only seven additional days of care.

Vilifying one element of the health care system (i.e. the insurance industry) is neither fair, accurate nor useful. There are many factors contributing to rapid health care cost increases, including the massive administrative costs inherent in our poorly structured health insurance system.

I further believe, as our Coalition and others have long stressed, that health reform must be comprehensive and that the policy debate must not lose sight of th...

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RESPONDED ON OCTOBER 13, 2009 12:33 PM

**Drew Altman, President and CEO, The Henry J. Kaiser Family Foundation**

The industry's report has already been criticized on substantive grounds by many respected experts (health policy now moves almost as fast as the news cycle). The industry's broadside is not at all surprising. Health reform debates have stages, and as we move out of the Finance Committee to the effort to forge single bills in the Senate and the House and then a final bill, we enter a different and decisive stage when all stakeholders in the debate can be expected to up the ante on behalf of their positions. The good news is that even though the debate will be intense, the focus, unlike the town hall meeting wars of August, will at least be on differences on the issues, especially how best to pay for the legislation and assure that premiums are affordable and coverage is adequate in a compulsory system.

The industry's report signals the beginning of the final stage in the health reform debate and possibly also their sense that reform will now pass in some form. They may want to get the best deal they can while there is still time.

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RESPONDED ON OCTOBER 13, 2009 10:25 AM

**Ron Pollack , Executive Director, FamiliesUSA**

Today's criticism by the insurance lobby gives hypocrisy a bad name.

The insurance lobby now claims that health care reform will cause significant premium increases, conveniently forgetting that they imposed significant premium increases during the past decade that are making health coverage unaffordable for families and businesses.

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**BALANCING PRIVATE INVESTMENT AND PUBLIC INTEREST**Latest response: **Mary Peters**

October 19, 2009 7:34 am

In the decade of 2000 to 2009, average family insurance premiums for employer-based health coverage increased from \$6,772 to \$13,073—an increase of 93 percent while median worker earnings rose by only 19 percent.

As a result, premiums rose 4.9 times faster than earnings - even though those rising premiums purchased 'thinner' coverage with higher deductibles and copayments as well as fewer benefits.

The insurance lobby's scare tactics are ironic and deplorable. They are like a poker player who complains about his hand when, in fact, he is the dealer.

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RESPONDED ON OCTOBER 13, 2009 9:52 AM

**John C. Goodman, President and CEO, National Center for Policy Analysis**

You have to wonder what took these guys so long. They have been negotiating in good faith for 10 months while Obama and the Democrats have been hammering away at them in public -- calling them evil, selfish and you name it.

I suspect the PWC study is correct. If anything, it may err on the conservative side. Everywhere guaranteed issue and community rating have been imposed, premiums increase substantially. How could it be otherwise?

And yes. These premium increases are a tax on the middle class. They are being forced to pay for someone else's benefits. Remember Obama's campaign promise: We're going to insure everybody and it won't cost the average voter one red cent. I hope you didn't believe that.

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RESPONDED ON OCTOBER 13, 2009 9:30 AM

**Michael F. Cannon, Director of Health Policy Studies, Cato Institute**

This is hardly the 11th hour. More like the end of the beginning, where the problem that Democrats have faced from Day One is finally coming to a head. The Left and the health care industry both want universal health insurance coverage. The industry, because universal coverage means massive new government subsidies. The Left, because that's their religion. But universal coverage is so expensive that Congress can't get there without taxing Democrats.

Sen. Jay Rockefeller (D-WV) is the biggest opponent of Sen. Max Baucus' (D-MT) tax on expensive health plans because that tax would hit West Virginia coal miners. Unions vigorously oppose that tax because it would hit their members. Moderate Democrats in the House oppose Rep. Charlie Rangel's (D-NY) supposed "millionaires surtax" because they know it would hit small businesses in their districts.

And on and on... But if congressional leaders pare back those taxes, they lose the support of the health care industry, which wants its subsidies.

...

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RESPONDED ON OCTOBER 13, 2009 8:12 AM

**Len Nichols, Director of the Health Policy Program, New America Foundation**

The gloves are off in the fight for health reform, and the insurance industry has decided that it's time to start throwing analytically indefensible punches. Two recent cases in point: (1) the headline grabbing "report" entitled the "Potential Impact of Health Reform the Cost of Private Health Insurance Coverage," by PriceWaterhouseCoopers, for AHIP (the main health insurance industry trade group); and (2) the "Blue Perspective" entitled "Age Discounts 'A Must' to Encourage Young Adults to Purchase Insurance," by the Blue Cross and Blue Shield Association. Thankfully the Urban Institute, in work funded by the Robert Wood Johnson Foundation, has recently released a thorough and devastating rebuttal to the Blue claims. So my comments below focus mostly on the AHIP paper. Consider the source. Most think tank work is funded by Foundations, which by law are nonpartisan. They focus more on objectively informing the public debate than on promulgating particular points of view. On the other hand, consulting firm w...

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RESPONDED ON OCTOBER 13, 2009 7:53 AM

**Marilyn Werber Serafini, Staff Correspondent, National Journal**

House Democrats have ruled out an excise tax on high-end insurance plans as a way to pay for health reform, although that is a primary revenue raiser in Senate Finance Committee Chairman Max Baucus's plan.

House Democrats are considering limiting their proposed health care surtax to individuals earning above \$500,000 a year, and that leaves about a \$100 billion funding shortfall for reform, *CongressDaily* reported October 8 [\[\[link the story\]\]](#). To help fill the funding hole, they are considering taxing securities transactions and/or taxing insurance company profits. But insurer profits are "much less than other industries within the health care sector," Robert Zirkelbach, spokesman for America's Health Insurance Plans, argued. "The data's clear that health plan profits are not what's driving rising health care costs," he said.

Should House Democrats be worried about insurance industry profits? And is Zirkelbach correct in his assertion that insurer profits aren't driving rising health care costs?

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