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ROOM DEBATE

A Running Commentary on the News

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Grading the Baucus Health Plan

By *THE EDITORS*

Doug Mills/The New York Times Senator Max Baucus talked to reporters about the health care debate on Tuesday.

After months of preparations and negotiations, Senator Max Baucus, chairman of the Finance Committee, [unveiled his health care reform bill](#) on Wednesday morning. The three Republicans in the so-called “Gang of Six” working on the legislation with Senator Baucus have so far refused to endorse [his bill](#), though negotiations will continue.

We asked health analysts and economists for their reactions. What are the bill’s most notable strengths and flaws? Does it achieve the broad goal of health reform?

[Jacob S. Hacker](#), political science professor
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A Bad Bill

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To be successful, health care reform has to be constructed on three strong pillars: personal responsibility, shared responsibility and shared risk. Unfortunately, all three of these pillars are dangerously weak in Senator Baucus’s proposed legislation. In the Sisyphean search for a grand bipartisan deal that will not occur, Senator Baucus has produced a bad bill that will leave too many Americans without affordable quality coverage and do too little to ensure health security over the long term.

Personal and shared responsibility means employers and individuals should be expected to contribute to the cost of their coverage. Yet this responsibility creates a countervailing *obligation* on the part of the government to ensure that workers and firms have a choice of good affordable coverage that offers security and stability.

This proposal would leave too many without affordable coverage and does too little to ensure health security.

The Baucus bill fails to meet this obligation. Not only are the federal subsidies for low-income and (especially) middle-income Americans inadequate, the standards for coverage are extremely weak. Larger employers could offer coverage with extremely high

deductibles and limited benefits without penalty, which their workers would be required to take unless it was extremely expensive.

At the same time, the penalty that employers would face if they didn't offer coverage would be minimal and levied only when firms failed to cover workers eligible for subsidies, creating limited incentive for firms to continue offering coverage and a perverse incentive to prefer higher-income workers.

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A Mouse on Steroids

Michael D. Tanner is a senior fellow at the Cato Institute and co-author of “Healthy Competition: What’s Holding Back Health Care and How to Free It.”

Sen. Baucus and his fellow “Gang of Six” negotiators have labored mightily and brought forth a mouse — a steroid-enhanced, misshapen mouse, but a mouse nonetheless. In fact, despite months of work, Senator Baucus has not actually produced a bill, but a 223-page summary of what he hopes a bill will contain. Unfortunately, without seeing actual legislative language, many questions still remain.

Here is some of what we know and don't know:

The Good:

- The plan drops the idea of a government-run “public option” in favor of co-ops. Government involvement with these co-ops would essentially be limited to providing start-up grants. 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 plan takes the first tentative steps toward allowing people to purchase health insurance across state lines. It would allow states to establish interstate compacts for insurance purchasing beginning in 2015. It would also allow insurers to develop national products that could be sold in any state. National plans would be exempt from state mandated benefits. This doesn't go far enough, and risks simply transferring regulation and mandates from the state to the regional or national level, but a first read suggests it is a step in the right direction.

The Bad:

- The plan would force states to increase Medicaid eligibility to individuals at 133 percent of the poverty level, and to enroll single, childless adults. While the federal government would pick up some of the increased cost, states would be responsible for at least some of the increase, a provision that will undoubtedly strain already tight state budgets.

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Where's the Cost Containment?

Dean Baker is an economist and co-director of the *Center for Economic and Policy Research*.

The big plus of the Baucus plan is that it will eliminate discrimination based on pre-existing conditions, which means that people will have real insurance. As it stands now, few people are really insured against serious illness since if they get sick, they will lose their job and then they will lose their insurance. The Baucus bill would effectively allow people to still buy affordable insurance.

The bill's less generous subsidies could lead to serious political problems.

The subsidies in the bill should also help many moderate income families afford insurance. At the same time, they are less generous than the subsidies in the other bills. This could lead to serious political problems if people resent being forced to buy a policy that they have trouble affording.

Finally, the proposal does not include the option to buy into a public plan. This is important because the public plan provided a potential mechanism for effective cost control. It is hard to see how costs can be contained in this plan. Also, in the absence of a public plan, many people may resent being forced by the government to buy a private insurance plan.