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Reform Bill Will Address GOP Fears

But Affordability Questions Remain

By [Lori Montgomery and Shailagh Murray](#)

Washington Post Staff Writers
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The chairman of the Senate Finance Committee said Monday that he will propose an overhaul of the nation's health-care system that addresses a host of GOP concerns, including blocking illegal immigrants from gaining access to subsidized insurance, urging limits on medical malpractice lawsuits and banning federal subsidies for abortion.



Senate Finance Chairman Max Baucus (D-Mont.) spoke optimistically about gaining bipartisan support for his panel's bill, but major questions remain. (By Melina Mara -- The Washington Post)

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But even after Max Baucus (D-Mont.) spoke optimistically of gaining bipartisan backing, lawmakers continued to haggle over a question at the heart of the debate: How can the government force people to buy insurance without imposing a huge new financial burden on millions of middle-class Americans?

Even within his own party, Baucus confronted a fresh wave of concern about affordability. Sen. Ron Wyden (D-Ore.) declared himself dissatisfied with the chairman's plan, which, like other congressional reform proposals, would require every American to buy health insurance by 2013.

"Additional steps are going to have to be taken to make coverage more affordable," Wyden said, "and my sense is that will be a concern to members on both sides of the aisle."

Under the Baucus plan, described in a "framework" he released last week, as many as 4 million of the 46 million people who are currently uninsured would be required to buy coverage on their own, without government help, by

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some estimates. Millions more would qualify for federal tax credits, but could still end up paying as much as 13 percent of their income for insurance premiums -- far more than most Americans now pay for coverage.

People further down the income scale would receive much bigger tax credits, effectively limiting their premiums at 3 percent of their earnings. But experts on affordability say even those families could find it difficult to meet the new mandate without straining their wallets.

"We're talking about the equivalent of a middle-class tax increase," said Michael D. Tanner, a health-care expert at the libertarian Cato Institute. "Yes, they're paying it to an insurance company instead of to the government. But, suddenly, these people are paying more money to somebody."

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A plan drafted by House Democratic leaders would offer more generous tax credits, but it would cost more than \$1 trillion over the next decade.

Baucus's team of three Democrats and three Republicans from the Finance Committee has labored for months to cut that cost as it crafts a reform plan that could win support from both parties. By squeezing the size and scope of the subsidies, the negotiators have lowered the cost to a more politically palatable \$880 billion -- within the range President Obama specified last week in a speech to Congress.

But a smaller bill would mean less help for people -- particularly those who earn too much to qualify for Medicaid but too little to easily slip the equivalent of a second rent payment into their budgets.

According to the latest Census data, about three-quarters of the uninsured earn less than 300 percent of the poverty level, or about \$32,500 for an individual and \$66,150 for a family of four. Nearly half are childless adults. In surveys, many say that they are not offered coverage by their employers or that they simply cannot afford it.

The centerpiece of the Baucus proposal is a series of "exchanges" where people without access to affordable coverage through their employers could apply for government subsidies and choose among a range of private insurance options. The plan would not, as liberals have demanded, create a government-run insurance option to compete with private firms, but would finance the creation of state or regional cooperatives run by consumers -- a concession aimed at winning over Republican lawmakers.

Baucus and his colleagues wrangled Monday in the hopes of persuading Republican Sens. Charles E. Grassley (Iowa) and Mike Enzi (Wyo.) to support the measure. The two conservatives have stayed at the bargaining table all summer, despite GOP leaders' strong opposition to the reform effort.

Baucus said the strategy is working. "Senators on and off the committee, their comfort level is starting to come up a bit," he told reporters. "I believe, in the end, we'll have some significant bipartisan support." But the chairman said Monday night that he will move forward Wednesday with or without Grassley, Enzi and Sen. Olympia J. Snowe (Maine), the most moderate Republican involved in the negotiations. He said the bipartisan group, known as the Gang of Six, would continue to negotiate until the full committee begins work on the bill next week.

Baucus said he will comply with Republican demands that illegal immigrants would receive "no benefits" through the new insurance exchanges. Meanwhile, negotiators are crafting a provision that would authorize states to start pilot projects to try to lower health-care costs by reducing the number of malpractice lawsuits, an approach similar to the one Obama outlined in his speech. "States would be given resources to help them experiment with what works best," said Sen. Kent Conrad (D-N.D.), another participant in the talks.

Also unresolved Monday was the question of how to pay for an expansion of Medicaid to

cover every U.S. citizen whose income falls below 133 percent of the federal poverty level, about \$14,500 for an individual or \$29,500 for a family of four. Governors in both parties strongly oppose an expansion that is not fully financed by the federal government. The Senate negotiators are scheduled to brief governors by conference call Tuesday afternoon, and Baucus predicted they would be "pleasantly surprised."

"The Medicaid costs," he said, "are not going to cost states near as much as feared."

Under the Baucus plan, subsidies would be offered to people who earn up to 400 percent of the poverty level (\$43,000 for an individual or \$88,000 for a family of four) in the form of tax credits that would be paid directly to the insurance company of the person's choice. The credit would be calibrated on a sliding scale to ensure that people at the bottom of the income range paid no more than 3 percent of their earnings for premiums while those at the top would be liable for as much as 13 percent.

That would amount to more than \$700 a month for a family of four making \$66,000 a year -- significantly more than most people at the same income level now pay, according to research conducted by Linda Blumberg, a senior fellow in the Health Policy Center at the Urban Institute. Families earning less than 300 percent of the poverty level also would be eligible for assistance with deductibles and other out-of-pocket expenses, but families who earn more would be on their own.

"That group does spend in the neighborhood of 12 percent of their income. But it's not just the premium. It includes out-of-pocket spending," Blumberg said, adding that the Baucus plan "is going to be somewhat of a wakeup call."

Families that do not purchase insurance would face penalties on their annual tax returns of up to \$1,500 a year if they make less than 300 percent of the poverty level, or \$3,800 a year if they make more.

But Senate Finance Committee negotiators are quick to point out that a hardship waiver would be available.

"We're doing our very best to make the insurance requirement as affordable as we possibly can," Baucus said, without driving up the overall cost of the bill.

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