

Obama's Health Plan Offers Medicare Cuts, Tax Increases First, Benefits Later

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Sixty years is how long Democrats say they've been pushing for legislation that provides health care access for all Americans. They'll have to wait another three if President Obama gets a bill to sign this year.

Under the Democratic bills, federal tax credits to help make health insurance affordable for millions of low- and middle-income households won't start flowing until 2013 -- after the next presidential election. But Medicare cuts and a sizable chunk of the tax increases to pay for the overhaul kick in immediately.

The eat-your-vegetables-first approach is causing heartburn for some Democrats. Three years is a long time to wait for dessert, and opponents could capitalize on misgivings about the complex legislation to undo what would be a signature achievement for Obama.

"The real danger is that health reform could be vulnerable to what we see with the stimulus package," said Democratic health policy consultant Peter Harbage, referring to criticism that Obama's \$787 billion economic plan hasn't stemmed rising unemployment. "There needs to be more focus on what can you do quickly so that real people will start seeing change sooner, rather than later."

Said Judy Feder, a senior health official in President Bill Clinton's administration: "Just as we are fending off ideological attacks to get the bill passed, we will be fending them off as we implement the law."

Obama administration officials and Democratic lawmakers say the reason for the three-year wait is the time it's going to take to set up insurance marketplaces, write consumer protection rules and reconfigure the bureaucracy to carry out the legislation. It took President George W. Bush's administration two years to phase in the Medicare prescription benefit, a more modest undertaking.

"It's very important to get the execution right," White House budget director Peter Orszag told The Associated Press in a recent interview.

There's another reason, less talked about: to make the costs of the plan seem more manageable under congressional budgeting rules.

Lawmakers use a 10-year accounting window to assess new programs. Starting the Medicare cuts and some of the taxes in the early years -- and pushing the bulk of new spending into the latter years -- helps keep the cost of the health care overhaul within Obama's \$900 billion limit. Bush used the same kind of maneuver to push the Medicare benefit through Congress.

"It means that the full cost of the program is underestimated in the 10-year window that you are looking at," said Gail Wilensky, who ran Medicare for former President George H.W. Bush. "It's not like we've never seen this before, but people need to understand what's going on."

Congressional Democrats are defensive about their slow-motion rollout.

Senate Finance Committee Chairman Max Baucus, D-Mont., addressed the concerns in a recent news release captioned: "What You Get Right Away."

Among the major short-term improvements in his bill would be a benefit for people on Medicare, who already have insurance coverage. Starting in 2010, those who fall into the Medicare prescription plan's coverage gap would get a 50 percent discount off the price of brand-name drugs.

In 2011 and 2012, certain small employers with fewer than 25 workers could get a tax credit for up to 35 percent of what they contribute toward the cost of employee coverage. That could encourage some companies that don't offer coverage to do so, but it's more likely to shore up those who already do.

To answer Obama's call for an immediate end to insurance company discrimination against the sick, Baucus would set aside \$5 billion from 2010-2013 to help states provide affordable coverage to people denied because of a medical condition. The money would be apportioned to high-risk insurance pools that many states have set up.

It may not go far enough. State high-risk pools now spend about \$1 billion a year and cover only 200,000 people.

"With \$5 billion and (other) improvements, they probably can double that enrollment, maybe a bit more, but that may not reach everybody who needs the immediate help," said Karen Pollitz, a Georgetown University research professor.

The House Democratic bill tries to provide some immediate relief. For example, insurance companies could not cancel coverage just because a policyholder develops an intractable disease such as cancer.

Yet all of that has failed to make much of an impression on the Congressional Budget Office, the umpire of the costs and benefits of legislation. The CBO estimates that under the Senate Finance Committee bill, the number of uninsured will stay stuck around 50 million from 2010 through 2012, until federal tax credits start flowing the following year.

If there's a silver lining in the three-year wait, it's that it will give individuals and families time to prepare for a new federal requirement to carry health insurance, starting in 2013. That won't be a problem for the majority who with employer or government coverage. But even with the tax credits that Democrats are proposing, many middle-class families that buy their own coverage still may be unable to afford it, and risk being assessed a penalty.

But lawmakers may have figured out how to use time to their advantage. The Senate Finance Committee voted to pare down the penalties and postpone them until 2014. Because the fines would be collected through income taxes, no one will get a bill until April 2015.

That would be a full two years after the government starts handing out carrots in the form of health insurance tax credits. Conveniently or coincidentally, it's also safely after the 2014 congressional midterm elections.

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