

LETTER FROM WASHINGTON #4

HEALTH CARE REFORM IS NOT EASY BUT MIRACLES DO HAPPEN

This has been a busy week for health care in Washington DC, and some real progress has been made. The Senate Health, Education, Labor and Pensions (HELP) Committee passed out a bill, and on the House side, the Ways and Means Committee and the Education and Labor Committee both voted out the tri-committee bill with few changes and the loss of very few Democrat votes.

However there are some dark clouds looming and arguably some difficult times ahead for the Senate Finance Committee and the House Committee on Energy and Commerce, both of which have yet to act.

The Finance Committee has been bogged down for weeks as the Chair, Senator Max Baucus, strives to get some bipartisan agreement on funding measures, and they have yet to release legislative language. This may be the only Committee where some Republican support is offered, primarily from moderate Senators such as Olympia Snow and Susan Collins. But in meeting their needs, Baucus is running a very real risk of alienating left-leaning Democrats, and just today a bipartisan letter from Snow, Collins and Joe Lieberman among others went to the Senate leadership requesting that the legislative rush is slowed down.

The Energy and Commerce Committee is facing a rebellion from a group of conservative Democrats known as the Blue Dogs, who don't like the public health insurance plan and want to see more savings from Medicare. This group will need to be appeased if the bill is to emerge from Committee.

Yesterday the Director of the Congressional Budget Office (CBO), Douglas Elmendorf threw a spanner in the works by suggesting that the health care legislation before Congress does not achieve "the sort of fundamental changes that would be necessary to reduce the trajectory of federal health spending by a significant amount." That got the salivary juices of the conservatives flowing.

Part of Elmendorf's message is painfully obvious: investing in health care reform by providing all Americans with health cover will cost the federal government a good deal of money – around \$1 trillion over the next decade. This is a relatively small increment for a health care system that current costs \$2.5 trillion a year.

Moreover, the budget outline that passed the Senate Budget Committee requires a fully funded health reform bill, and both the Senate Finance Committee and the House Ways

and Means Committee are proposing different options to pay for reform and ensure that the bill does not add to the deficit.

However CBO does not consider those savings from reforms that come from modernizing the health care system (implementing electronic medical records, health information technology) and reforming the way Medicare and Medicaid reimburse providers. Independent analysts have estimated these savings to be as high as \$2 trillion / 10 years. In addition, the health industry is on record as saying that the growth rate in annual health spending could be reduced by 1.5% a year, lowering overall spending by \$2 trillion. Arguably Elmendorf is looking at the trunk of the elephant and not the whole.

The White House and Congressional leaders will spend the weekend in negotiations. The bright news is that the current bills have garnered some important and very public support – from big employers WalMart and Target, from the American Medical Association, the pharmaceutical industry, and Harry and Louise.

Harry and Louise, a fictional suburban couple featured in a series of national television spots sponsored by the health insurance industry in 1993 and 1994, stoked fears that helped doom a government-created health plan promoted by a Democratic president, Bill Clinton. Now, the same actors are back in a new campaign, this time to support a government overhaul of the medical system promoted by a Democratic president, Barack Obama.

Miracles do happen!