

Around the Health Care Reform Debate in Less Than Two Pages

The week ending October 9, 2009 was a quiet one compared with the frenzied activity of previous weeks. Health Care Reform Fatigue Syndrome (HCRFS) could be part of it; there may also be a growing sense of resignation out there that the reform debate may be becoming more destructive than most any reform itself could be. If true, this may be a dangerous mindset. Nevertheless, the week was not without a few noteworthy developments:

Late Week Baucus Bill Changes by Finance Committee:

Last week we joined many others in asking whether lawmakers really intended to throw people in jail for refusing to buy health insurance or pay the excise tax. Fortunately, reason prevailed and the very afternoon our previous OnPoint paper was completed, we got the answer from the Senate Finance Committee – “No”. They amended the bill to make it quite clear that no criminal penalty, late payment penalty or interest will accrue and that collection shall be limited to withholding of federal payments.

The maximum “penalty” (really excise tax) for failure to buy health insurance was further reduced from \$1,900 to \$750 per each non-complying individual, phasing in from \$0 for 2013 and increasing \$200 for each year thereafter until it reaches \$750 in 2017. There is a catch: it is now per *individual*, with no family-unit limit. So, for larger families the new rate is a hidden tax increase.

The “Cadillac Plan” limit was lowered to \$21,000, a slight reduction from the previous amount of \$23,000. The bill now provides a \$26,000 limit for retirees and those in certain “high risk occupations.”

The Committee agreed to a proposal by Senator Blanche Lincoln (D-AR) that would prevent many health insurance companies from taking tax deductions for executive compensation in excess of \$500,000. This will undoubtedly send a shock wave through the insurance industry. We will be studying this one closely, but, for the moment, existing contracts and traditional commission arrangements appear to be carved out. Look for executives rushing to enter into new contracts before enactment.

Latest CBO Numbers Show Baucus Plan “Windfall”?

The Congressional Budget Office published a report indicating that the Baucus bill, as amended through last week, would result in an \$81 billion *reduction* in the net budget deficit over the first 10 years. Needless to say, this has Baucus and the Democrats wearing Cheshire Cat grins while Republicans view it with raised eyebrows, pointing to numerous tax increases, possible higher individual insurance premiums and cuts in Medicare which, while it may help the deficit, will hurt people.

“Governator” Backs Health Care Reform in Principle

Although he did not indicate exactly what sort of reform he supported, California Governor Arnold Schwarzenegger joined a growing list of Republicans and Independents coming out in favor of some kind of reform. He was joined by:

- New York City Mayor Michael Bloomberg (I);
- Former Senate Majority Leader Bill Frist (R-TN);
- Mark McClellan, who oversaw both FDA and CMS under President George W. Bush (*Politico*, 10/6); and
- Tommy Thompson, a former Republican presidential candidate, HHS secretary and four-term governor of Wisconsin (*American Health Line*, 10/6).

Health Care Economics - Why Prices ≠ Costs & Why That Matters

Occasionally we see an article of such exceptional quality that we want to recommend it to our readers. Such is the case with the article titled above. Our attention was drawn to this piece by Juan Kelly, our Senior Actuarial Advisor, who commented, “In my opinion, this is the most coherent take yet on the subject.” To read the article, go to www.healthplanlaw.com and click on the above title under “RECENT POSTS”.

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