

Last Chance for Health Reform by Paul Starr

After the House and Senate passed similar health-care reform bills late last year, Democrats seemed unlikely to snatch defeat from the jaws of victory. But as of early February, that looks to be the outcome unless House Democrats come to their senses and vote for the bill the Senate approved in December, preferably with changes made through

the Senate's 51-vote budget-reconciliation process but without those changes if necessary.

Before the Massachusetts election that deprived Democrats of their 60th vote in the Senate, I had hoped that the House could prevail on several key points, including federal control over the insurance exchanges. But without a 60th vote, the calculus changes. The limited leeway in the Senate puts the onus on the House to act—and none of the issues being raised by House Democrats is serious enough to warrant the legislation's defeat.

Consider two stumbling blocks to passage from the standpoint of the values of the House Democrats who object to these provisions: the Senate's tax on "Cadillac" health plans and its less-than-absolute restrictions on abortion coverage.

In the first case, the objection comes from progressives who presumably believe in progressive taxation. But current law, which excludes all employer payments for health insurance from taxable income, is highly regressive in the exact sense of that word: The exclusion increases in value the higher one's tax bracket, and it costs the

Treasury some \$250 billion a year, roughly as much as federal spending on Medicaid. It's also one of the primary reasons health care has become so costly.

The idea behind the Senate excise tax on high-cost plans is to put a lid on this tax subsidy. Or to put it another way, the aim is to reallocate to the uninsured some of the subsidies now going to people with the most generous health coverage.

The Senate bill imposes a tax on health plans to the extent they cost more than a given amount—in the case of family coverage, more than \$23,000 a year. (By comparison, employer-sponsored family coverage averaged about \$13,000 in 2009.) In other words, if a plan costs \$25,000, \$2,000 would be subject to the 40 percent tax, which would come to \$800. But assuming that the family in question faces a marginal tax rate of 28 percent, they would already be receiving a tax subsidy of \$4,900 for their health plan if the employer paid 70 percent of it, and even after the \$800 tax, they would still enjoy a net subsidy of \$4,100.

Some of the excise tax would fall on people driving Chevys, not Cadillacs (and a

possible compromise would be to exempt people earning less than \$100,000). But the tax's overall incidence is already progressive—and the legislation as a whole, with its expansion of Medicaid and insurance subsidies to people with low incomes, would be the biggest, most redistributive economic-security program in decades. From a progressive standpoint, it makes no sense to

tion initially supported it (before later backing off).

But why shouldn't someone who values life above all, and counts a fetus as a life, vote for the Senate bill rather than maintain the status quo? The Senate bill restricts abortion coverage more than current law does. And if life is the governing concern, surely reform deserves a vote: Lack of health coverage costs 20,000 to 45,000 lives a year. What kind of "pro-life" perspective demands the sacrifice of thousands of people to make a point?

In short, from the standpoint of their own values, nei-

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bring down the entire bill on the grounds of the excise tax.

The objections to the Senate's provisions regarding abortion come from anti-abortion Democrats, led by Rep. Bart Stupak of Michigan, who succeeded in getting the House to ban abortion coverage in virtually all insurance purchased through the exchanges, even by people who pay entirely out of pocket. The Senate bill would allow states to ban abortion coverage and require that such coverage elsewhere be purchased out of pocket in a separate rider. Although Stupak insists the Senate bill is insufficient, the Catholic Health Associa-

ther the House progressives nor the anti-abortion House Democrats are making any sense by threatening to vote against the Senate bill.

If the Senate can amend its bill through reconciliation, that may facilitate House passage. But regardless of what the Senate does this year, there will be plenty of opportunity for changes before the legislation's major provisions go into effect in 2014. The crucial thing is for the House to pass the Senate bill so as to set reform in motion and thereby focus debate on the kind of reform we will have rather than on whether we will have it at all. **TAP**