

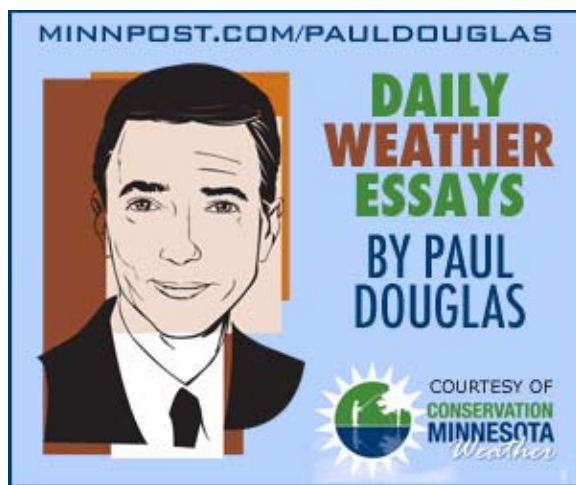
## Health care proposals divide Democrats in Congress

By Cynthia Dizikes | Tuesday, June 30, 2009

WASHINGTON, D.C. — The Democrats may control Congress and the White House, but when it comes to health care reform — arguably the most important legislation that the U.S. government will tackle this year — the well-positioned political party could turn out to be its own worst enemy.

Although this round of health care debates has only just begun, cracks have already started to form between liberal Democrats in the House, who have rallied for a robust government-run health insurance option, and moderates in the Senate, who have said that such a plan might not be politically feasible and have pushed instead for a more incremental approach.

"At this point, the prospect of failure is very strong," said Larry Jacobs, a political science professor at the University of Minnesota who specializes in health care policy.



On one side of the Capitol, liberal House Democrats, who largely prefer a single-payer system, have lobbied for a strong public plan option, which would be able to aggressively compete with private insurers.

Rep. Keith Ellison, who is a member of the House Progressive Caucus, has already expressed frustration with the Senate's attempts to diminish the public plan. In a recent interview with MinnPost, the Democrat from

Minneapolis said that he was "very worried" that the Senate would ultimately water down any public plan to the point of non-existence or ineffectiveness.



REUTERS/Eric Miller **Rep. Keith Ellison**

"I will not tolerate it," Ellison said. "I'm just going to be a 'no' vote and I'm going to be recruiting people to be 'nos' if we don't have a robust public plan."

Rep. Jim Oberstar, D-Minn., who has supported a single-payer system in the past, is also an adamant proponent of a public option.

Although Oberstar did not go as far as Ellison, he did say that the Obama administration's recent equivocations on the matter concerned him.

"I think they are a little muddied over at the administration because they got so much push back [from the Senate and interest groups] and now they are trying to soft-pedal the idea of a public option," Oberstar said.

Losing the left wing of the Democratic Party in the House would likely be disastrous for the legislation, which is expected to draw few Republican votes. And Rep. Lynn Woolsey, D-Calif., who chairs the 80-member House Progressive Caucus, has said that a majority of the caucus would not vote for a health care reform bill that does not include a solid public plan.

### **All or nothing**

Meanwhile, economist and New York Times columnist [Paul Krugman](#) has also been adding to the public plan push, as have liberal groups like MoveOn.org, which recently launched ads attacking Democrats who have voiced objections to a government-sponsored option.

In two columns last week, Krugman derided "balking Democrats" for undermining health care reform, and "Barack the Post-Partisan" for not pushing hard enough for a large public option, which Krugman argued might allow health care reform to go the way of the stimulus — big, but not big enough — in his opinion.

"So Mr. Obama and Democrats in Congress have to hang tough — no

more gratuitous giveaways in the attempt to sound reasonable. And reform advocates have to keep up the pressure to stay on track," wrote Krugman. "Yes, the perfect is the enemy of the good; but so is the not-good-enough-to-work. Health reform has to be done right."

According to Rep. Betty McCollum, D-Minn., doing it right would include a public plan much like MinnesotaCare.



**Rep. Betty McCollum**

"I would like to see a Minnesota MinnCare not-for-profit model moving forward," McCollum said. "And, I'm going to keep working toward that goal and trying to incentivize my colleagues to get with me."

But on the other side of the Capitol where Democrats are one vote shy of a filibuster-proof majority, the public plan has largely floundered.

Sen. Ben Nelson, D-Neb., initially went as far as saying that the public option would be a "deal breaker." Although Nelson later backed away from his comment, Sen. Kent Conrad, D-N.D., has said that he still doesn't think there is enough support to pass a public plan in the Senate. Instead, Conrad has advocated for a national network of member-run cooperatives, which, he said, would increase bargaining power with less government involvement.

Some health care policy experts, however, fear that these cooperatives would not be enough to improve the current system.

"Nonprofit health-care cooperatives won't have any real bargaining leverage to get lower prices because they'll be too small and too numerous," Robert Reich, a former Secretary of Labor under President Bill Clinton, recently wrote on The American Prospect website. "Pharma and Insurance know they can roll them. That's why the Conrad compromise is getting a good reception from across the aisle, just as [Republican Maine Senator] Olympia Snowe's 'trigger' (which means no public option until some time down the pike, and only if Pharma and Insurance don't bring down and extend coverage a tad) is also gaining traction."

## Health care exchanges

For the time being, Sen. Amy Klobuchar, D-Minn., appears to be undecided on some of the key particulars of health care reform. When asked specifically about the public plans, a single-payer system and financing options, Klobuchar's spokesman said that the senator was not available for comment.

"She is considering health reform options that include Health Benefit Gateways or Health Exchanges, but wants to analyze how the plans in their entirety will impact our state before signing on to a specific proposal," said Klobuchar spokesman Linden Zakula.

Health care exchanges could operate on the state or national level and would essentially pool together providers and offer a variety of coverage options with certain set rules, such as no discrimination for pre-existing conditions and a minimum level of comprehensiveness.

Although the health care exchanges would likely begin in limited versions, Jacobs said that the exchanges, combined with incremental reforms to Medicare and Medicaid, could still be extremely useful and, ultimately, more politically feasible than a large public plan.



hhh.umn.edu **Larry Jacobs**

"The Krugman position that half measures are defeatist and counterproductive is radically ignorant," Jacobs told MinnPost on Monday. "In a way, Krugman is the best ally of the enemies of reform because he is pushing reformers into a false choice between systematic reform and no reform.

"What is missing among liberals," Jacobs added, "is that they see this as a do-or-die, one gulp reform and it is kind of stunning."

Jacobs argued that the choice Krugman and other liberals were posing was a false one. "We can do incremental reform that is good and leads to enormous progress," Jacobs said.

Henry Aaron, a Senior Fellow in Economic Studies at the left-leaning Brookings Institution, agreed.

"I think the key is to dislodge the immobility of the current finance arrangement," Aaron said. "Whatever we do, we are not going to get it right the first time and corrective action will need to be taken... We are starting the process of health care reform and that is going to take a generation to complete."

### **How to pay?**

How to pay for the reform and reorganize funding of the current system is perhaps an even thornier issue than coverage expansion methods.

The Obama administration has refused to rule out the possibility of a tax hike on health insurance plans. That option, however, is extremely unpopular among many members of Congress and Minnesota's delegation, though many analysts, and even some lawmakers, see it as a reasonable way of funding the massive reform.

"I have great reservations on this," said Rep. Tim Walz, D-Minn., who is a former public school teacher. "I know that the tax is hugely unpopular among the unions."

Walz and Ellison have introduced legislation in the House that aims to create savings through Medicare funding formula restructuring. Klobuchar has introduced similar legislation in the Senate.

The bills would essentially change Medicare's funding model so that it awards outcomes over numbers of tests. Although the idea seems logical enough, Jacobs said there would likely be regional disputes over the matter. The current system, for instance, favors states that spend more on health care, such as California or New York. Meanwhile, states with relatively low health care costs like Minnesota are at a disadvantage.

To pay for the reform, Obama has also said that he would support a cap on deductions that people making over \$250,000 can take on their taxes.

But Aaron said that he preferred a value-added tax, which would provide a much wider tax base and could be included at each stage of production for all goods except those given exemptions.

"Nobody is talking about it, but this is a favorite of analysts," said Aaron. "Of course, they don't have any votes."

Republicans, who are working on [an alternative bill](#) (PDF) in the House, have yet to come up with many workable financing suggestions either.

"The costs haven't been identified in terms of paying for [the Republican health care plan] yet," said Rep. Erik Paulsen, R-Minn.

**Rep. Erik Paulsen**

Among other things, the Republican plan would provide tax deductions for people who purchase health insurance on their own, allow small businesses to band together to offer health insurance at lower costs and ensure that pre-existing conditions do not affect access to coverage.

The main difference, of course, is that the GOP plan does not include a government-run insurance option that would compete with private insurers.

"The Democrat's plan is it increases the role of the federal government through a new government-run plan and an expansion of Medicaid," said Rep. John Kline, R-Minn., at a hearing last week on the House health care plan. "With government spending on health care already exploding and the federal Medicare and Medicaid programs already on the road to insolvency, I can't imagine the reasoning behind intensifying the stress placed on these programs."

**Public support**

In this respect, all three of Minnesota's Republican lawmakers, along with most of their GOP colleagues, seem to be in agreement, making Democratic solidarity all the more crucial.

In certain ways, however, these disputes in Congress and among analysts and policy experts seem somewhat divorced from popular public opinion.

A recent [New York Times-CBS News poll](#) showed that 72 percent of respondents said that they would support a government-run program like Medicare, while 57 percent said they would be willing to pay higher taxes for health insurance.

The poll also showed that support for a competing government plan crossed party lines with 87 percent of Democrats, 50 percent of Republicans and 73 percent of independents in favor of the plan.

"You can't avoid politics in health care... [But] there is a unique window of opportunity right now," said Lynn Blewett, director of the State Health

Access Data Assistance Center at the University of Minnesota.

But will Congress seize it?

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