



Health Reform Update

An Ongoing Analysis Concerning the Direction of Healthcare Policy

Senate Democrats May Compromise on Public Plan Option

As debate on the Senate health care reform proposal continues, the Democratic caucus appears to have reached a tentative compromise on a key obstacle to passage – the public plan option.

Although details have not been fully released, we understand that the Democratic leadership will offer a compromise to the public plan option that includes:

- Some type of not-for-profit health care coverage through the State exchanges, perhaps modeled after the not-for-profit cooperatives proposed in earlier discussions;
- Giving the Office of Personnel Management (“OPM” - the agency currently administering the Federal Employee Health Benefits Program) authority and oversight over certain national health care programs offered to the public;
- Vague hints about a future role for a public plan option, including the use of an access based or affordability based trigger option;
- A requirement on private insurers to trim their administrative costs so that 90% of revenues are paid out in claims (a so-called “mandatory medical loss ratio”). It is not clear whether this will just apply to small group and individual coverages offered under the exchanges and/or the programs offered under the supervision of the OPM; and
- An expansion of Medicare to those ages 55-64, beginning in 2011.

Full details have not been released, nor has the compromise been offered for debate, pending a cost analysis by the Congressional Budget Office. The proposal will surely be fiercely debated and is likely to be controversial:

- Certain liberal constituencies will be unhappy with a watering down or elimination of the public plan option – an issue not only for Senate passage of health care reform, but for reconciliation with the bill already approved by the House, where sentiment for a public plan option is stronger;
- Moderates and conservatives may see the involvement of the OPM and the restrictions on insurers as a ploy to force private insurers out of the marketplace and to replace them with a public plan;
- The expansion of Medicare will be viewed as costly by many and also as a precursor to an inevitable public plan, and perhaps, a single payer system.

These proposals follow significant debate and votes on other key issues that may further complicate the Democrats’ efforts to secure the necessary 60 votes, including:

- Defeat of stronger restrictions on abortion coverage (similar to the provisions in the House bill); and
- Retention of significant cuts to Medicare, including Medicare Advantage, which were strongly challenged by Republicans and may cause concern for certain Senators with aging constituencies.

We are watching these issues closely and will be providing more details and analysis in the coming days.

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