Healthcare Overhaul Update

House Democrats considering insurance tax

Erica Werner,Associated Press Writers Ricardo Alonso-Zaldivar, Associated Press Writer

WASHINGTON (AP) — House Democrats are considering a tax on high-cost insurance plans to help pay for health care overhaul that tops President Barack Obama's domestic agenda.

House Speaker Nancy Pelosi, D-Calif., said Friday the tax is "under consideration" as Democrats search for consensus within their ranks before taking a bill to the House floor later this fall.

"We just have to see how much money we need for what," Pelosi said. "And if we're taking the bill down in cost, there are other provisions in the Senate bill that bend the (costs) curve that might be more palatable. We'll see."

Pelosi didn't specify what other provisions she might find more acceptable. An aide said that if the House does incorporate an insurance tax in its plan, it would probably be a more modest one than what Senate Finance Chairman Max Baucus, D-Mont., has proposed.

The House Democratic plan calls for raising income taxes on upper-income people to pay for covering the uninsured. Baucus has instead proposed a tax on high-cost insurance plans worth more than $8,000 for an individual policy and $21,000 for family coverage.

Proponents of the insurance tax, which Obama has endorsed, say it would help to lower health care costs by encouraging people to become more cost-conscious health care consumers.

Some of the high-cost plans are so expensive because they come with no co-payments or deductibles, and cover every dollar spent for health care. Not all of them provide such "Cadillac" benefits, however. Some are very expensive because they're sold to companies with older employees, or workers in high-risk occupations.

Labor unions say they've given up higher pay to secure better health care benefits that they're determined to hang on to. Insurers are likely to try to pass on the cost of the tax through higher premiums.

If House Democrats adopt the insurance tax, it may help them to reduce the income tax increase that they've proposed.

Paying for their plan is only one of several nettlesome issues House leaders are trying to hash out as they struggle to merge three committee-approved bills into a single piece of legislation. They hope to finish that process next week.

House Democrats are struggling with getting their 10-year, $1 trillion-plus bill down to the $900 billion price tag Obama prefers. Major cuts could be required, but Democrats want to protect the subsidies their plan offers to low-income Americans to help them buy coverage. Those subsidies are the most costly part of the bill.

House Democrats met as the Senate Finance Committee upheld a central provision in a companion bill on a near party-line vote.

Republicans sought to strip out a requirement for policies to provide specified benefits such as preventive and surgical care and mental health services in policies sold to consumers who receive federal subsidies to make the cost more affordable.

"This will substantially increase the cost (of insurance) when combined with other features" of the legislation, said Sen. Jon Kyl, R-Ariz..

Sen. Debbie Stabenow, D-Mich., told Kyl that about 60 percent of insurance companies selling to individuals do not cover maternity care."

"I don't need maternity care, so including it in my insurance policy gives me something I don't need and costs me more," Kyl said.

"But your mom probably did," Stabenow responded.

"But I don't," said Kyl.

Kyl's proposal failed on a vote of 14-9. All 13 of the committee's Democrats and Sen. Olympia Snowe, R-Maine, opposed it and nine Republicans were in favor.

At their core, all the health overhaul bills are designed to expand health insurance coverage to millions of people who lack it, employing a new system of federal subsidies for lower-income individuals and families and establishing an insurance exchange in which coverage would have federally guaranteed benefits. Insurance companies would be prohibited from refusing to sell insurance based on an individual's health history, and limits would be imposed on higher premiums based on age.

Not yet determined is whether final legislation would contain any version of a new public plan to compete with private insurers and sign up middle-class workers and their families.

The Senate panel's bill does not include a government-run option and the conservative-leaning committee is preparing for a showdown on the issue next week.

Although all the House bills include some version of a public plan, there's no final decision on how it will be structured. House liberals are pushing for provider payment rates tied to Medicare rates but 5 percent higher, but moderates say those rates are too low and would hurt struggling hospitals and other providers. Moderates would give the Health and Human Services secretary the ability to negotiate rates instead.

A complicated dispute over how to address regional disparities in Medicare payment rates also continued to be a major sticking point for House Democrats.

AP Special Correspondent David Espo contributed to this report.

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