



December 01, 2009 - Topic: Health Care Reform

Report: Senate Reform Bill Won't Increase Costs for Most People

A **Congressional Budget Office** report released on Monday found that under the Senate health reform bill premiums would be unchanged or slightly lower for most U.S. residents, while a small minority would see premium increases, the **Washington Post** reports (Montgomery, *Washington Post*, 12/1).

The report says that regardless of subsidies overall premiums will be higher because the legislation requires insurance to cover a "substantially larger share of enrollees' costs for health care (on average) and a slightly wider range of benefits" (Edney, *CongressDaily*, 11/30).

According to the report, "In general, the proposal would tend to increase premiums for people who are young and relatively healthy, and decrease premiums for those who are older and relatively unhealthy" (Pear/Herszenhorn, **New York Times**, 12/1).

Looking at the Numbers

The report found that by 2016 the 32 million people in the individual insurance market would pay 10% to 13% more in premiums than they would under current law, with premiums rising to \$5,800 annually for individuals and \$15,200 for a family (*Washington Post*, 12/1).

However, the analysis also found that about 57% of individuals who purchase coverage through the proposed health insurance exchange would qualify for federal health care subsidies, which would cover nearly two-thirds of the total premium costs.

As a result, U.S. residents who received the subsidies would see a 56% to 59% reduction in premium costs than they would otherwise see if the Senate bill was not enacted, according to the CBO report (Armstrong, *CQ Today*, 11/30).

In addition, the report found that premiums paid by large employers would remain unchanged or would decrease by up to 3%.

According to CBO, large employers would account for 70% of the insurance market in 2016 (Appleby, **Kaiser Health News**, 11/30).

Some small employers -- those with fewer than 50 employees -- could see premium changes ranging from a 1% increase to a 2% decrease (*CQ Today*, 11/30). About 12% of small employers would qualify for tax credits, which would decrease the average premium between 8% and 11% (*Kaiser Health News*, 11/30).

According to CBO, 19% of employer-based policies by 2016 would be subject to the 40% excise tax on high cost plans proposed in the Senate bill (*CongressDaily*, 11/30).

CBO writes that employers are likely to "respond to the tax by offering policies with premiums at or below the threshold" of \$8,500 annually for a individual policy and \$23,000 annually for a family policy (Chaddock, **Christian Science Monitor**, 11/30).

Reaction

According to the *Times*, the report has provided Democrats with "ammunition" against Republican claims th

the bill would raise health care costs for the majority of U.S. residents (*New York Times*, 12/1).

Sen. Evan Bayh (D-Ind.), who requested the report, said that it "alleviates a major concern that has been raised -- that insurance costs will go up across the board as a result of this legislation" (*Washington Post*, 12/1).

However, Republicans said that the CBO analysis substantiates their claims that the bill would increase costs.

Sen. Chuck Grassley (R-Iowa) said that "[m]illions of people who are expecting lower costs as a result of health reform will end up paying more in the form of higher premiums." Grassley added, "For large and sma employers that have been struggling for years with skyrocketing health insurance premiums, CBO conclude this bill will do little, if anything, to provide relief" (*New York Times*, 12/1).

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