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**Health Care Reform 2010**

**Colleen M. Brady, Esq.**

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# HEALTH CARE REFORM 2010

By: Colleen M. Brady, Esq.

## I. INTRODUCTION

### A. REASONS FOR REFORM

1. The United States currently has the most expensive health care system in the world, and yet is one of the most inefficient systems as far as getting care to those who need it. The United States is ranked as 38<sup>th</sup> place in the area of health care by the World Health Organization.
2. It is estimated that 70% of all deaths are caused by chronic diseases such as heart disease, diabetes, cancer, etc, many of which deaths would have been preventable had quality care been provided, including early detection. ([www.useconomy.about.com](http://www.useconomy.about.com)).
3. Health care costs have been rising in unprecedented rates, causing a tremendous burden on working families, and the projections for long term growth of the Nation as a whole. In 2003, for example, the costs of health care rose 7.7%, which was four times the national inflation rate.
4. It is estimated that health insurance costs are rising at a rate of approximately 11% per year. If costs continue to rise at the current rate, health care expenditures will reach 20% of the GDP within the next decade. ([www.whitehouse.gov](http://www.whitehouse.gov)). This will be the highest percentage in the developed world and twice as much per person than any other developed country – *and it is ruining our economy*.
  - a. Increased costs have forced employers to either cut out health care coverage entirely, or have required employees to contribute a large portion of their earnings to help pay for the costs.
  - b. Employers have likewise been forced to cut back on other benefits, and employees have lost a significant portion of their spending power – all contributing to a weak economy.
  - c. Employers that do attempt to keep pace with rising costs find themselves unable to compete with global markets, since the increased cost of health care naturally flows to the consumer.
5. Health insurance remains unobtainable to over 43 million citizens, many of whom have only minimal coverage. This is said to average

out to about 25%, or one in four Americans, who not have adequate health care coverage – with half of all bankruptcies resulting from medical costs. ([www.useconomy.about.com](http://www.useconomy.about.com)).

## B. EDUCATION OF THE PUBLIC

1. Need to participate in the process and understand the underlying issues.
2. Currently there is a lack of understanding by the public of the major proposals at issue, resulting in confusion which thwarts the democratic process.
3. At this point the majority of Americans have stated that they are uncomfortable supporting any legislation specifically because they do not understand it. Although the bills are available online, they can run over 1,000 pages in length and be difficult to understand for those not versed in legislative interpretation.
4. Major campaigns are being waged both for and against health care reform, and so Americans must familiarize themselves with the facts and potential consequences in order to take independent action.

## II. **WHY IS THE HEALTH CARE SYSTEM BROKEN?**

### A. AMERICANS ARE UNHEALTHY AND EXPENSIVE TO INSURE

1. Mortality rates are beginning to decrease for the first time in history.
2. Pharmaceutical companies compete with each other to sell drugs that treat the symptoms of the disease, but not the disease itself.
3. The growing childhood obesity epidemic is exacerbated by schools who serve lunches designed to keep cost low and therefore meet only the minimum nutritional guidelines.
4. Almost 40% of Americans are on some type of prescription drug. It is argued that in many cases, these drugs would be otherwise unnecessary in persons of healthy weight, and can cause dangerous side effects or even result in shorter life spans.
5. With a poor economy, Americans tend to forfeit vacation time, work overtime when available, and put less emphasis on a healthy work-life balance than their European counterparts, resulting in an epidemic of chronic stress related illnesses.

6. A typical Americans diet is one of the most nutritionally void diets in the world. While the fast food and soda industries have strengthened their lobbying efforts in Washington to combat negative publicity, the two current leading causes of death in America are diabetes and heart disease.

B. DISSENSION CONCERNING WHAT IS CAUSING THE SYSTEM TO FAIL

1. There have been hundreds of studies attempting to find the “single link” that is causing the health care system to fail, but all have cited different causes. The interaction of numerous factors makes it difficult to ascertain what exactly is causing the health care system to fail; therefore dissension exists with respect to the best ways both identify and “fix” the problem (*www.healthcarereform.org*).
2. A number of theories have developed, and while no one theory has any sustainable evidence showing that it is the “answer” to the health care issue in the country, they are nevertheless interesting to consider:
  - a. Some have argued that doctors in the United States make a greater living than anywhere else in the world, and maintain practically complete autonomy. This translates further into an incentive for physicians to merely maintain disease without curing it. Proponents of this theory maintain that the salaries of physicians should be more “performance based.” (i.e. based on the disease cured, not the size of their loyal clientele.)
  - b. The same can be said about health care insurance, meaning that the insurance industry is more concerned with simply maintenance care, rather than with fixing the issues of disease itself. There is a strong and powerful lobbying market in Washington, with insurance companies spending \$1.4 million a day for lobbying purposes. (*www.americanhealthcarereform.org*). Lobbying efforts are funded by the premiums paid by the insured’s (the workers) for health coverage, and the focus is on rationalizing the high costs of deductibles, maintaining policies such as refusing coverage for pre-existing conditions, and attempting to keep other competitors out of the market.
  - c. Another frequently cited cause for the failure is Medicaid fraud. Many citizens are under the belief that both providers and recipients of Medicaid engage in a number of illegal practices for the purposes of, in the case of individuals,

obtaining coverage when they do not otherwise need it, or, in the case of service providers, generate substantial bills to Medicaid to obtain fees for services that were never performed.

- d. While not necessarily considered a precise reason for health care failure, but certainly considered an exacerbating proponent, is the decreased staffing that exists at hospitals and health care facilities.
  - (1) A 2008 Health and Human Services (“HHS”) report cited the particularly troubling increasing incidents of health care mistakes and patient safety errors causing increased deaths.
  - (2) According to a study cited by the AFL-CIO, hospitals are severely understaffed, giving rise to a growing number of otherwise preventable deaths due to the lack of personnel and safety precautions. (*www.aflcio.org*).
  - (3) According to reports from both the HHS and AFL-CIO, the failure of Americans to seek medical care due to lack of coverage has also resulted increased costs, since by the time care is sought the condition has already developed into a highly serious and costly illness.
  
- e. Pharmaceutical spending has grown out of control, and the amount of Americans taking drugs has proliferated with the onslaught of advertisement and “perks” to physicians who encourage use of certain products. (*www.aflcio.org*).
  - (1) The use of prescription drugs by minors has nearly tripled in the last decade, at the same time creating a new “clientele” for pharmaceutical companies to target.
  - (2) Advertising costs have increased tremendously, with drug companies fighting to gain to customers. These costs are consequently passed on to consumers as well.

### **III. CURRENT LEGISLATIVE ATTEMPTS TO INTRODUCE HEALTH CARE REFORM**

#### **A. PRESIDENT OBAMA'S 2009 HEALTH CARE PROPOSAL**

- a. Entitled the Health Care for America Plan.
- b. Operates similarly to Medicaid for individuals who do not have any health insurance.
- c. The Plan was expected to lower health care costs by allowing the government to bargain for lower prices and reduce inefficiencies in the system (Council of Economic Advisors).
- d. This Plan proposed that health care costs would be lowered and result in savings to families, equaling \$2,600 in 2020 and up to \$10,000 by 2030.
- e. The decreased costs would have lowered unemployment, and would have reduced the deficit by 6% of the GDP by 2040.
- f. A primary feature was that by expanding health care coverage, emergency visits by the uninsured would have been reduced to the point of saving \$100 billion per year.
- g. Government sponsored health care would have removed the burden of coverage from small businesses, allowing them to be more competitive and attract more highly skilled workers.

#### **B. HOUSE HEALTH CARE REFORM BILL: AFFORDABLE HEALTH CARE FOR AMERICA ACT**

1. This bill was announced October 29, 2009, and passed by the House on November 7, 2009.
2. The estimated cost of the bill would be \$894 billion over 10 years.
3. However, it would reduce the deficit by \$104 billion, and save \$460 billion over 10 years by levying a surtax on high income earners.
4. Similar to Obama's 2009 Plan in that it would provide a government run health insurance program.

5. The bill would also offer direct subsidies to help the uninsured purchase insurance through exchanges.

C. SENATE REFORM BILL: PATIENT PROTECTION AND AFFORDABLE CARE ACT

1. The bill was announced on November 18, 2009 and passed by the Senate on December 24, 2009.
2. The Act proposed a cost of \$871 billion over the next 10 years, with a reduction in the budget deficit by \$132 billion over the next 10 years.
3. A major feature of this bill is that it would create an exchange to allow individuals and employers to shop for insurance plans.
4. The bill would fine companies that don't provide insurance, but provide a tax break for small businesses that can't afford health coverage.
5. Most citizens and legal residents would have to be covered, but premium and cost-sharing credits available based on income level.
6. Small business employers would also be able to purchase plans on the exchange.
7. Employers would have to pay penalties for employees who receive tax credits for health insurance.
8. The government would be able to impose regulations on health plans on the exchange, and on individuals and employers purchasing insurance on the exchange.

D. OBAMA'S 2010 HEALTH CARE REFORM BILL

1. In February, President Obama introduced a new health care reform proposal, which essentially was built on the Senate Bill.
2. This bill proposed to regulate the health care industry under a seven-member Health Insurance Rate Authority that could deny or limit substantial premium increases (traditionally a power left to the states).
3. Like the Senate Bill, the President's bill would create an exchange that allowed families and small businesses to shop for insurance plans.



4. The bill would require most U.S. citizens and legal residents to have health insurance coverage.
5. Individuals purchasing their insurance on the exchange would receive cost-sharing credits, based on their income.
6. Employers would have to pay penalties if they employed individuals receiving tax credits from the Exchange.
7. This bill cut federal funding for abortion but cut back taxes on the high end health plans (dubbed the “Cadillac Plans”).
8. The government would be able to impose regulations on health plans on the exchange, and on individuals and employers purchasing insurance on the exchange.

E. COMMON ELEMENTS

1. Each of the bills presented proposed to preclude illegal immigrants from getting government funds to pay for health insurance, but such immigrants would not be required to provide proof of citizenship before receiving services.
2. Expansion of Medicaid:
  - a. Both the 2010 Obama Bill and the Senate Bill would expand Medicaid to all individuals under age 65 with incomes up to 133% of the Federal Poverty Level (“FPL).
  - b. The House Bill proposed expanding Medicaid to all individuals with income up to 150% of the FPL.
  - c. These increases in Medicaid would be subsidized initially by Federal government aid.
  - d. Individuals qualifying for Medicaid would be automatically enrolled.
3. All three bills provide a means of addressing tort reform, although through slightly different means.

**IV. THE GREAT DEBATE: SHOULD HEALTH CARE BE NATIONALIZED OR OTHERWISE BE CONTROLLED BY THE FEDERAL GOVERNMENT?**

**A. WHAT DOES NATIONALIZED HEALTH CARE MEAN?**

1. In light of the soaring costs of health care, the latest legislative attempts have focused on transitioning the system to a nationalized system instead the a privatized system currently in effect where:
  - a. Pharmaceutical companies can advertise and compete for business with the public.
  - b. Employers are free to determine whether or not they will even offer health care coverage to their employees, and, if offered, are free to choose a plan from competitors.
  - c. Individuals are free to purchase insurance on the open market if they so desire, and if they do not so desire, have no obligation to maintain health insurance (versus automobile insurance).
2. Under such nationalized system, medical care would be provided for ALL citizens, and the price of such care would be paid by the government. Health services provided would be regulated by the Federal government.

**B. ARGUMENT FOR A NATIONALIZED HEALTH CARE SYSTEM**

1. By far the most controversial aspect of Health Care Reform is the extent to which the National Government will essentially take control over and remove “free enterprise” from the health care sector. However, some of the arguments in favor of a nationalized system are as follows:
  - a. Lower Costs: Proponents argue that nationalized health insurance would reduce the costs of health care significantly, including the costs of health care products. This is an assumption drawn from the fact that other countries with nationalized health care systems have lower costs for their health care products, including pharmaceuticals.
  - b. Increased Portability: Workers would gain greater portability if assured that they will have insurance in all job markets, since individuals would not feel pressured to stay in jobs

they dislike in order to keep employment which offers health care insurance for their family.

- c. **Increased Innovation:** It has been argued that the economy would benefit from greater innovation as individuals who have traditionally put off their aspirations of starting their own business for fear of losing health insurance would now be able to start these businesses. Traditionally, the market has reacted favorably to times when small business, created under innovative ideas, is flourishing and growing.

## C. ARGUMENT AGAINST A NATIONALIZED HEALTH CARE SYSTEM

1. As noted, the greatest fear of current health care reform is the idea of a nationalized health care system. While few would argue that something needs to be done soon, there is an inherent fear in turning over any portion of our free trade enterprise to national control.
2. Opponents of nationalized health care cite to other nations that have incorporated nationalized health care, and the obvious problems:
  - a. National health care does not ensure equal access to health care. Senior citizens may find coverage difficulty in accessing treatment. For example, New Zealand's coverage guidelines indicate that in care for end stage renal disease, persons over the age of 75 should generally not be considered when placement in renal facilities is difficult to obtain.
  - b. There is some evidence that without free enterprise playing any part in the industry, the quality of care, and the quality of health care products, are reduced. While the United States is considered to have the most expensive health care in the world, the actual quality of care is considered optimal. The U.S. has lower mortality rates for cancer patients than nations with socialized health care, due to new detection products, access to preventative medicine, and emphasis on early detection.
  - c. Some of those nations with nationalized health care are now in fact re-introducing free-market alternatives back into their health care systems- including Germany, Sweden, and Australia.

## V. REACHING A NATIONAL CONSENSUS

### A. DIFFICULTIES

1. Opinions vary widely on the issue of nationalized health care and consensus will be difficult to reach. The national divide over this issue will present itself as the greatest obstacle for policy makers.
2. Obviously, there are serious philosophical ideals at stake.
  - a. At one end of the spectrum are those individuals who believe that the federal government has no right to delve into our private health system. Furthermore, they may not view health insurance as a fundamental right, or would argue that although basic care should be provided, it is inherently wrong to tax the working class for purposes of supporting those who do not work. At the heart of this argument is a fear that such a system will push the nation closer to a socialist form of government, and will give unwarranted power to the federal government.
  - b. At the other end there are those who believe that health care is a fundamental right that should be given to all Americans, not just those fortunate enough to have found a well paying job and have the means to purchase health care. These individuals would cite to the lack of access of a significant portion of the population to health care as a sign of failure of the capitalist system.

### B. PARTY POLITICS

1. To date, any reform (or objection thereto) has tended to fall across party lines- while 54% of Democrats report supporting such a system, only 27% of Republicans support it.
2. Is this just a power struggle between the parties? Recent attempts at legislation by Congress seem to support this notion, and it has been quite successful in polarizing the parties.
  - a. The Summit held on February 24, 2010, in an attempt to address the issue between the parties, was again a less of a brainstorming session than an opportunity for the parties to vent.

- b. The Republicans have continually asked that the current plan be “scrapped” in favor of beginning fresh, and argue that they were never aware of or a part of drafting the initial bills to begin with.
3. Most recently, Democrats have suggested that they may attempt to pass the legislation via “Reconciliation,” which means that they would only need to gain a majority vote in the houses. This is likely to cause substantial congressional distress and perhaps even legal suits- it is still regarded as an Unconstitutional process, reserved for matters needing immediate attention such as the passage of budgets. Proponents argue that it has been used in the past to approve health-related legislation.

#### C. WHAT DO THE PEOPLE WANT?

1. Current Statistics: Overall, it is currently estimated that approximately 57% of Americans oppose nationalized health care, while 43% would favor it. (*www.useconomy.com*).
2. Furthermore, as time progresses, the poles seem to show that more and more Americans are hesitant to support such a bill, absent more information and greater communication, instead of simply becoming subjects to a Congressional game.
3. Interestingly, the desire for nationalized health care is sharply divided among ethnic and economic lines:
  - a. African Americans and Hispanics tend to be more in favor of such a plan (55%) than Caucasians and Asians (27%).
  - b. Households earning \$100k would favor 31%, while 47% of households under \$100k would favor.