

House Democrats considering insurance tax

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Senate Finance Committee Chairman Sen. Max Baucus, D-Mont., left, talks with, from second from left, the committee's ranking Republican Sen. Charles Grassley, R-Iowa, Sen. Orrin Hatch, R-Utah, and Sen. Jon Kyl, R-Ariz., on Capitol Hill in Washington, Friday, Sept. 25, 2009, before the start of the markup of the health care legislation. (AP Photo/Susan Walsh)

(AP) -- House Democrats are considering an insurance tax to help pay for their health care overhaul plan, even though such a funding scheme is bitterly opposed by labor unions that are among the party's most loyal constituencies.

House Speaker Nancy Pelosi, D-Calif., said Friday a tax on high-cost health insurance plans 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, and if we're

taking the bill down in cost," Pelosi said. "There are other provisions in the [Senate](#) bill that bend the (costs) curve that might be more palatable. We'll see."

Although Pelosi was noncommittal, 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 originally called 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 say it would help to lower [health care](#) costs by encouraging people to become more cost-conscious health care consumers. After all, the typical employer-sponsored family plan costs about \$13,400 a year and provides comprehensive coverage.

Some of the high-cost plans are so expensive because they come with no copayments 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.

Unions say they've given up higher pay in order 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 allow them to reduce the income tax increase that they've proposed.

Meanwhile, the Senate Finance Committee is preparing to debate one of

the central features of the House plan - a government insurance program. The showdown over the public plan in the conservative leaning committee is expected next week, as deliberations on health care legislation continue.

Democratic Sens. Jay Rockefeller of West Virginia and Chuck Schumer of New York say they want a full debate on whether the government should create a health plan to compete with private insurers and sign up middle-class workers and their families. Up to now, the government has covered the elderly and the poor.

Rockefeller and Schumer had hoped their moment would come Friday, but with the committee moving slowly through hundreds of amendments to the sweeping legislation, the public plan debate was pushed off.

The public option continues to enjoy broad support in opinion polls. But Baucus pointedly omitted it from the far-reaching proposal he put before the panel this week, saying he doesn't think it can pass the Senate.

Liberals are eager to prove him wrong. Regardless of how the showdown goes, the battle is expected to continue on the Senate floor.

"Even though the public plan may be an underdog in the Senate Finance Committee, don't count it out," Schumer said. "It's going to be a fight that goes all the way down to the wire."

Many Democrats see the government plan as way to force accountability on what Rockefeller called a "rapacious insurance industry."

Conservatives see it as a step inevitably leading to a government takeover - Medicare for all.

The Finance Committee is seen as a key testing ground because it is dominated by moderates and conservatives, generally reflecting the

makeup of the Senate.

Rockefeller and Schumer plan to offer slightly different versions of a public plan, aides said. Under Rockefeller's version, the government would set payment levels for hospitals and doctors. Schumer wants negotiated payment rates, similar to what private insurers use.

Baucus has proposed setting up nonprofit co-ops as an alternative to a government plan, an idea that liberals dismiss as ineffectual. No Republican has voiced support for a public plan, although Sen. Olympia Snowe of Maine says using the threat of government competition could be a good strategy to force insurers to keep the cost of premiums down.

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