

Hammering home reform

Barack Obama's health reforms cross the most important threshold.

"TODAY is a day that will rank with the day we passed the Civil Rights Act in 1964!" So declared John Dingell, a Democrat from Michigan, on the floor of the House of Representatives as he argued for passage of President Barack Obama's health-reform package on Sunday March 21st. That is quite a claim, but coming from America's longest-serving congressman (and one whose father also championed health reform in Congress) his words carried weight.

Democrats were hardly assured of victory going into the day's legislative wrangling in the House. In order to pass both the principal health reform bill (identical to a flawed, pork-laden bill passed by the Senate before Christmas) and a "reconciliation" bill (designed to fix many of those flaws), Democratic leaders needed 216 votes. In recent days Mr Obama and Nancy Pelosi, the Speaker of the House, had won over a number of wavering Democrats, including some who had initially voted against reform last year.

However, the crucial holdouts were a block of anti-abortion Democrats led by Bart Stupak of Michigan. This group worried that the Senate bill's provisions on abortion were too liberal. The breakthrough came when Mr Obama issued an executive order on March 21st confirming that the new law would not result in federal funds being used to fund abortion. Mr Stupak declared he was satisfied, and the Democrats got the majority they needed.

In the event, the Senate bill was passed by the House on a final vote of 219 to 212 just before midnight; this now goes to Mr Obama for signature into law. The reconciliation bill then passed by a margin of nine votes. Because this is a new bill, it now needs to be approved by the Senate. Passing a bill uniformly opposed by the Republican minority would normally require a filibuster-proof 60 votes, but the Democrats now lack such a super-majority. So they are using a procedural tactic—claiming that health reform is really budget "reconciliation"—that requires only 50 votes.

This approach is risky and hugely controversial. That is because, strictly speaking, only financial provisions are supposed to be passed using the budget reconciliation rules. Republicans are noisily claiming that some provisions do not meet this test, and therefore must be rejected by the Senate's parliamentarian. If he does so, the resultant bill passed by the upper chamber would no longer be an identical version of the House bill—and therefore, the lower chamber would once again have to vote to approve the new reconciliation bill.

Even if there were such a to-and-fro, it seems likely that Mr Obama, who brought the health bill back from near-death, will soon get a final health reform package. The heart of the new reform is a restructuring of America's deeply flawed insurance market. Insurers would face tough new regulations forbidding such practices as dropping customers with "pre-existing conditions" (real or trumped up), lifetime coverage caps and other cruel practices. In return, though, they would enjoy a vast expansion of the country's private insurance market. Some 32m of the country's 49m or so uninsured would be required to get insurance, starting in 2014; and the poorer ones will be given subsidies for doing so.

If coverage is the new law's strong point, cost containment is its weakness. The Congressional Budget Office (CBO), a non-partisan agency, estimates that the new health reforms will cost some \$940 billion over the next decade. Using heroic assumptions about likely future revenues (from cuts in Medicare and doctors' reimbursements, for example), it concludes that those costs will be more than offset by revenues. In fact, the CBO claims the federal deficit will actually be cut by over 1 trillion dollars over the next two decades by this reform. That, argue fans of the Obama effort, means it is a triumph of fiscal rectitude.

Not so, say critics, observing that subsidies and other big outlays do not kick in till 2014. Paul Ryan, a Republican congressman, says the CBO estimate "has 10 years of tax increases, about half a trillion dollars, with 10 years of Medicare cuts, about half a trillion dollars, to pay for six years of spending" By his reckoning, this reform will prove a "fiscal Frankenstein" with a true ten-year cost (that is, from 2014 to 2023) of \$2.3 trillion, not \$940 billion.

The truth is that ObamaCare does much to expand coverage, but does too little to rein in health inflation. The reform effort did start over a year ago with aspirations of "bending the cost curve", but Mark McClellan of the Brookings Institution, a think-tank, explains that the most meaningful proposals have since been "watered down or delayed." For example, an independent commission on reforming Medicare got defanged, and a promising tax on gilded (or "Cadillac") insurance plans will now be diluted and delayed for years.

Indeed, it is likely that the laudable extension of insurance coverage now makes it more important to tackle the question of costs. On that, at least, left and right seem to agree. Paul Krugman, an economics professor at Princeton and a liberal booster of reform, said on the eve of the votes, "there is, as always, a tunnel at the end of the tunnel: we'll spend years if not decades fixing this thing." Robert Moffit of the Heritage Foundation, a conservative think-tank opposed to the effort, agrees, albeit in darker terms: "This marks the beginning of the next phase of this 100 years' war."

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