



## Congressional Menu

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by John S. Hoff

**A**t the time you read this, the course of health reform legislation may be clearer...and elephants may have grown wings.

Congress is heading down two tracks at the same time without knowing the destination of either one or whether they will intersect. There is confusing (and confused) talk about a variety of legislative measures, and no one knows exactly what is going to be focused on and what will be passed. It may be useful, therefore, to describe the menu of possible actions.

On the one hand, Congress will address a series of discrete changes, if not reforms, to the current health system in a number of separate bills. There is a rich potpourri of issues that it may address:

1. It will consider large cuts in Medicare reimbursement in order to balance the budget. Whether the cuts will be made is uncertain; if they are, whether they will apply to the current fiscal year or only to the next one is yet unclear.
2. Medicaid probably will be considered as part of welfare reform. Some leaders advocate that the acute care portion of Medicaid be given back to the states in a block grant. Others suggest the federal government take over Medicaid in exchange for the states taking welfare. The federal government and the states are now in the process of calculating the relative costs of the different approaches.
3. The provision of the Internal Revenue Code permitting self-employed individuals to deduct 25 percent of the cost of their health insurance expired for tax year 1994; it is likely to be quickly restored.

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However, this will cost several hundred million dollars, and a way to pay for it must be found. One possible approach under discussion would be to eliminate the program of the Federal Communications Commission providing for tax deferral on the gain resulting from sales of communications companies to minority-owned enterprises.

4. There will be efforts to assure guaranteed issue and portability of coverage by requiring insurance companies to take applicants regardless of their health status.
5. There may be efforts to limit the extent to which high-risk individuals in small groups pay higher premiums than others, by imposing limits on premium variations between groups.
6. There will be an effort to amend ERISA (particularly after the Supreme Court issues its decision in the case involving the provider tax in New York) to give states more leeway to impose their own reforms. Large employers will resist because they do not want to be faced with a 50-variety health care system.
7. There will be consideration of changes in the antitrust laws, mainly to provide more certainty and clarity.
8. There may be an effort to encourage employers to inform their employees of the amount of their compensation that is spent to purchase health premiums. Employees do not know how much the employer is spending for health insurance premiums or that this is part of their compensation and reduces their cash wages.
9. There will be an effort to enact legislation that encourages medical savings accounts, although the issue is much more complicated than is generally realized and the shape of what will eventually be passed is not now known.
10. Congress will consider proposals to "reform" malpractice, particularly by encouraging the states to engage in alternative dispute resolution and

changing some of the rules governing malpractice actions that are brought.

Out of this melange will come several pieces of legislation that may or may not fit together and that may or may not be consistent with longer range reform, which Congress will also begin considering.

Congress will study the possibility of providing Medicare beneficiaries an option to take a voucher and choose among competing private plans (including managed care) as an alternative to the traditional Medicare system. They may also consider the possibility of means testing Medicare.

It is politically difficult to limit the extent to which employer-paid insurance premiums are excluded from employees' taxable income. Congress may, however, consider replacing the exclusion with a tax credit, which will give the subsidy directly to individuals who purchase their insurance. In this way assistance could be made available to all people rather than simply those whose employers provide their health insurance. The current exclusion unfairly benefits those with the highest incomes who buy the most expensive plans. The credit would give the assistance to those who need it most, and would encourage price-sensitive shopping by individuals. It would provide appropriate "cost containment" in lieu of global budgets and price controls. Transforming the deduction for the self-employed to a credit would be a first step in this direction.

At this point we do not know what will be enacted, but perhaps by the time you are reading this the pattern will have become clearer. Confusion will likely be increased, but at the end of the process the beginnings of a long-range approach may be discernible. ■