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The Insurance Industry Strikes Back

*By Katharine Q. Seelye
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During much of the health care debate this year, the insurance industry has been the dog that didn't bark. But with the emergence of specific legislation from the Senate Finance Committee, that has changed.

On the eve of the bill's passage through the committee on Tuesday, the industry's lobbying group, America's Health Insurance Plans, issued a report arguing that under the legislation, the cost of premiums would soar. That report was bolstered by another on Wednesday from the Blue Cross and Blue Shield Association that essentially reached the same conclusion.

The group also began broadcasting a commercial warning people who are enrolled in Medicare Advantage insurance plans that under the Finance Committee's bill, their benefits would be cut.

The sudden triple-barreled assault was a reminder that the insurance industry has enormous financial stakes in a health care overhaul and will not sit by while its interests are threatened.

The industry wants everyone to be insured, to spread the financial and medical risks. But the Finance Committee bill is projected to expand coverage to only 94 percent of the public. And the industry says the bill's penalties for not getting insurance are too low, meaning too many people might opt out.

The industry's assault has led to a counterattack from proponents of a health care overhaul, including the White House, who swiftly denounced the report as deeply flawed and accused the industry of a craven 11th-hour effort to sink the legislation in the interest of its own profits. The campaign arm of the Democratic National Committee used its 13 million-name e-mail list to start a petition and rally support.

It may be too soon to call this a war. But the insurance industry and proponents of an overhaul are certainly positioning themselves for a lengthy strategic battle. (Representative Steny H. Hoyer, the House majority leader, said Wednesday he could not guarantee a final vote on a health care overhaul even by Christmas.)

"This is the end of the beginning, not the beginning of the end," said Evan Tracey, founder of the Campaign Media Analysis Group, a research firm in Arlington, Va., that tracks television advertising. "We're turning a page here, where a specific bill will be easier to target."

The industry is spending “seven figures,” an official said, to broadcast its commercial on network television in markets in six states: Colorado, Kentucky, Louisiana, Missouri, New Mexico and Pennsylvania. They all have high concentrations of the 11 million people nationwide who are enrolled in Medicare Advantage, a private version of Medicare that provides benefits not covered under government-issued Medicare.

“Congress is proposing over \$100 billion in cuts to Medicare Advantage,” the commercial says, flashing on the screen: “50 percent reduction in extra benefits.” (Benefits to Medicare Advantage recipients would indeed be cut in half over the next decade, the Congressional Budget Office says, but the commercial implies that benefits would be cut now for all Medicare recipients.)

It is the industry’s first hard-hitting advertisement, following a feel-good spot this summer supporting a bipartisan approach to changing health care. But since Sept. 1, insurers have borne the brunt of about \$24 million in attack ads, Mr. Tracey said — about half of total advertising spent since then on the subject.

Geoff Garin, a Democratic pollster, said that the industry’s aggressive moves might actually help rally advocates of a health care overhaul, because the public dislikes the industry so much.

Although the insurance industry helped kill an overhaul in 1994, aided by the famous “Harry & Louise” ads, Mr. Garin says the environment is different now.

“In ‘93-’94, supporters of reform were reasonably content to litigate the issue inside the Beltway and gave the health insurance industry pretty free reign outside the Beltway,” he said. “Now, supporters are battle-ready and prepared to take the fight to the insurance industry in the court of public opinion.”

As for the timing of the industry’s campaign, Robert Zirkelbach, a spokesman for America’s Health Insurance Plans, said: “This is a critical time in the debate and we felt we had a responsibility to provide data on how the current proposals will impact affordability. Cuts of this magnitude will have a devastating effect.”

Mr. Zirkelbach said the industry was still at the bargaining table, although he did not specify with whom. “We believe changes can still be made to make coverage more affordable,” he said.

Mr. Garin, meanwhile, said that the insurance industry’s salvos had help put a face on the enemies of an overhaul.

“The Republicans have been the face of opposition,” he said. “In some ways, this completes the narrative — it’s a way of answering the question, ‘Why are Republicans opposed to health care?’ And the answer is, ‘Because they have an unholy alliance with the health insurance industry.’”

