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## Reform progress unlikely by SOTU

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Senate Democratic leaders said Monday that they don't expect to have a decision on how to move forward with health care reform in time for President Barack Obama's State of the Union address on Wednesday.

"Both the majority leader and the speaker need time to talk with their members," said Sen. Dick Durbin, the Senate's No. 2 Democrat.

Durbin said Democrats are not moving health care to the backburner in favor of jobs and financial regulatory reform arguing, "We have more than one front burner."

The absence of a clear way forward could create significant challenges for Democrats, who would lack a unified message to present to the nation in time for Obama's speech.

Meanwhile, Democratic leaders continued to craft changes to the Senate bill in hopes of winning over liberal House members, including Medicare cuts, tax hikes and increased affordability subsidies, according to sources familiar with the discussions.

But the complicated process is one of the main reasons Democrats have little chance of giving Obama concrete progress to point to in his State of the Union address.

Pelosi and Senate Majority Leader Harry Reid are searching for a way to tweak the

Senate bill enough to pass it through the House. After Republican Scott Brown's victory in last week's Massachusetts' special Senate election, Reid lost his 60-vote majority making it virtually impossible to make substantial changes to the bill his chamber passed Christmas Eve.

So, leaders are considering making limited changes that can be passed using a budget process called reconciliation, which only requires 51 votes in the Senate.

Democratic sources said the changes being considered by Democrats are similar to those agreed to among House and Senate leaders in White House meetings earlier this month. The changes under consideration include:

- Raising the Medicare payroll and unearned income tax on families making more than \$250,000 to 2.35 percent, which could raise up to \$125 billion.

- \$50 billion more in subsidies to help lower and middle-income people afford insurance. Democrats had said earlier this

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month they hoped to increase the number by \$100 billion.

— About \$150 billion in cuts to privately administered Medicare Advantage programs. The Senate bill proposes \$120 billion in cuts while the House comes in with a \$170 billion reduction.

— A deal with labor unions to delay a tax on expensive insurance plans until 2018 for state and local government workers and those with collective bargaining agreements. The threshold at which the 40 percent tax would kick into effect was raised from \$23,000 for a family to \$24,000.

-- Removing the so-called "Cornhusker Kickback" that ensured Nebraska would never have to pay for reform's Medicaid expansion with state money.

-- Closing the gap in seniors' prescription drug coverage.

-- A package to extend a number of non-controversial tax credits for things like research and development. Most of the credits expired at the end of the last year and one source saw their inclusion more as legislative housekeeping than a move to sweeten the bill to win moderate votes.

Pelosi has also pushed to change the Senate's state-based insurance exchanges into a single, national exchange but a source said it was unlikely such a change would be germane to the budget reconciliation bill.

Senate Finance Committee Chairman Max Baucus said leaders are still working through the changes, which will likely need

to be approved by both House and Senate Democrats before moving forward.

"We are working it through. We are getting closer," said Baucus, adding that he also doubts the process will be complete by Obama's speech.

In fact, Democrats don't expect House Speaker Nancy Pelosi to be able to lay out the options for her own members during today's caucus meeting because the options are still in flux.

"Discussions are ongoing and options are being examined on the best way to ensure health care is available and affordable for all Americans and that insurance companies are held accountable," Pelosi spokesman Nadeam Elshami said.

If Democratic leaders can eventually strike an agreement on changes, the process would go like this: The House would pass a reconciliation bill and send it to the Senate, which would have to also approve the bill. If the bill passed both chambers, the House would then approve the Senate bill

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and give Democrats their long-awaited victory on Obama's top domestic priority.

But, Democrats caution that leaders have little sense of whether they can make the necessary changes through a reconciliation bill and whether Democrats will agree to essentially pass the same sweeping bill that Brown campaigned against in Massachusetts.

Rep. Gerry Connolly (D-Va.) on Monday warned party leaders against a continued push for sweeping reform, saying Democrats have overreached and should scale back their ambitions.

"One of the worst places a politician can be is to be saying, 'Open wide and swallow this is good for you,' even if it is," Connolly said. "We're out of sync. I favor health care reform. I favor comprehensive healthcare reform, but not at the price of forcing something down's the public's throat that the public finds distasteful and bitter.

*Patrick O'Connor contributed to this report.*

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