



Health Care Reform: An Update

Before enacting the Patient Protection and Affordable Care Act (PPACA), U.S. Speaker of the House Nancy Pelosi said Congress had to pass the bill before we'd find out what's in it. Sadly, it's worse than even we thought. This Policy Points presents many of the effects of the new law that have already come to pass.

You Can't Keep Your Plan

- **Individual Mandate Disallows Many Plans:** Despite President Obama's promise that Americans could keep their existing health plan, many will not meet new federal coverage mandates, which are on top of Pennsylvania's 52 coverage mandates. **Any changes to a current plan** (defined by the HHS secretary) would subject insured Americans to fines. About 51% of Americans are expected to lose coverage.
- **Cuts to Medicare Affect Seniors:** Medicare Advantage plans are being curtailed. The Center for Medicare Services is eliminating Medicare Advantage for 3 million seniors, and raising rates for others. The second largest carrier in Massachusetts dropped Medicare Advantage entirely. Senate Majority Leader Harry Reid has even complained about Medicare cuts in a July 21 letter to the Secretary of Health and Human Services.
- **Health Savings Accounts are Undermined:** PPACA regulations make HSAs impotent. For example, come 2013, HSA funds can no longer be used to purchase over-the-counter drugs and medicines without a Note of Medical Necessity (NMN) or a prescription from your doctor. It also remains unclear if high-deductible insurance plans qualify as "insurance" under mandates.
- **Employer Mandates Encourage Dropping:** Employers that do not currently provide insurance will pay a new tax, and may pass on costs through **pay cuts or job cuts**. Because the employer mandate defines what type of plans may be offered, corporations like AT&T and Verizon have found it cheaper to dump employee healthcare and pay the tax (though the Obama administration indicated it might not enforce the mandates, after McDonald's talked about dropping its plan for 30,000 workers). The CBO conservatively estimates 9 million workers could lose employee provided coverage.

Premiums Are Going Up

- **New Regulations Drive Up Costs:** Across the country, health insurers are raising premiums to comply with new federal mandates. Connecticut insurers expect rates to increase over 30% due to bans on lifetime caps and other rules.
- **Less Insurance for Kids:** Regulations establishing guaranteed coverage for children are already causing havoc with insurers refusing to write new individual policies for children in Florida, Oklahoma, and Kansas. Blue Cross and Blue Shield of Florida calculated that the provision could raise premiums for individual policy holders by 20%.

More and Higher Taxes

- **Individual Mandate is a Tax:** After denying, for public relations, purposes that the individual mandate was a tax, President Obama has now admitted, for legal reasons, that the individual mandate is in-

deed a new health care tax.

- **More Consumer Taxes:** Those earning over \$200,000 will see payroll, capital gains and interest, dividend income, and real estate transactions subject to higher taxes. With the expiration of the Bush tax cuts (i.e., scheduled tax increases), the top marginal tax rate will top 50% in 39 states. A 10% tax on tanning beds will affect all income levels, and is harmful to psoriasis patients, for whom it is medically recommended; it also will hurt small business owners. And a 2.9% sales tax levied on all medical devices is estimated to increase a family's premium by \$1,000 a year.
- **More Business Taxes:** This spring, Caterpillar posted a \$100 million loss and John Deere \$150 million, accounting for taxes on a previously tax-exempt federal subsidy designed to keep seniors on private prescription plans. Experts predict corporations lost a total of \$14 billion.

Unwieldy Regulations

- **Candy Bars are Fattening:** New regulation for the fast food industry demands the posting of the caloric intake on menus and vending machines, at a cost of \$56.4 million in the first year.
- **More IRS Jobs Needed:** In an effort to reduce underreporting of income, all corporations will be required to issue a 1099 form to every vendor from which they purchase more than \$600 of goods or services. The IRS says businesses and charities will face significant burdens from the change, which may be 'disproportionate' to any benefit. An estimated **40 million taxpayers will be subject** to the requirement, including **26 million who run sole proprietorships**.
- **Small Business Tax Credits Not Helpful:** Obama touted tax credits for small businesses to help them afford coverage for employees. NFIB estimates only two of the six million small businesses will qualify, as the credit drops off sharply. The tax credit is anti-growth—businesses get punished for hiring workers or increasing average annual pay over \$25,000.

More Spending

- **CBO Increases Cost Projections:** In May, the Congressional Budget Office increased cost projections of PPACA to **\$1 trillion**. The true **10 year cost is about \$2.7 trillion** and will **add \$325 billion to the deficit**—leaving 30 million Americans uninsured and, according to one estimate, destroying a total of 120,000 to 700,000 jobs by 2019.
- **New Entitlement:** The health care law creates the CLASS Act. This long-term care program is destined to become another entitlement. Workers would be automatically enrolled with the ability to opt out. Participants will pay a monthly premium, which they can use for home care by the age of 55. After 2029, the CBO predicts CLASS will increase deficits by tens of billions of dollars each decade.

The Fight is Not Over

States are moving reform measures to mitigate the negative effects of Obamacare. The constitutionality of the individual mandate is being challenged by 20 states filing lawsuits, and 37 states have introduced or enacted resolutions to advance "health care freedom." And many members of Congress have pledged to repeal the new law.

For more information on **Health Care**, visit CommonwealthFoundation.org.

