The Patient Protection and Affordable Care Act

Executive Summary of the Government Expansions, Vast New Taxes, Damaging Medicare Cuts, and Increased Health Costs and Premiums

Prepared by the Ranking Member staffs of the Senate Committee on Finance
and the Senate Committee on Health, Education, Labor, and Pensions

Billions in Wasteful Spending and Expanded Government

A budget gimmick that pays for 6 years of coverage spending with ten years of new taxes and massive Medicare cuts to hide the true ten-year implemented cost of $2.5 trillion.

Includes actual gross spending of $1.2 trillion on coverage (not $848 billion as advertised) which includes spending for Medicaid/CHIP($374 billion), CLASS Act Spending($15 billion), outlays for exchange subsidies($349 billion), government run plan payments($131 billion), risk adjustment payments($118 billion), other Medicare/Medicaid spending ($130 billion), small employer tax credits ($24 billion), and revenue effect of exchange premium credits($103 billion).

Bends the federal growth curve upward in the first decade: Federal outlays and the federal budget commitment for health care would INCREASE over the 2010-2019 by a net amount of about ***$160 billion***.

Does not bend the federal growth curve downward in the long term: After 2019, the bill leaves the cost curve unchanged as CBO expects that in the decade following the 10-year budget window, the increases and decreases in the federal budgetary commitment to health care resulting from the Reid bill would "roughly balance out."

Half a Trillion in Damaging Medicare Cuts

Despite current unfunded liabilities of more than $37 trillion over 75 years, cuts Medicare by half a trillion dollars, not to strengthen Medicare but instead to fund yet another unsustainable new health care entitlement program.

Relies on savings from permanent cuts to payment updates that the Administration's own Chief Actuary has called "unrealistic" and "unlikely to be sustainable on a permanent annual basis." These types of cuts, which can result in negative payment updates, would "possibly jeopardize access to care for beneficiaries" as providers end their participation in Medicare.

In addition to these permanent cuts to Medicare payment updates, establishes a permanent board of unelected members that will dictate annual Medicare cuts geared toward reducing Medicare spending. Dubbed by *The Wall Street Journal* as the "Rationing Commission," this board will create policies geared toward achieving arbitrarily determined spending targets and will impose a global budget in Medicare.

To meet arbitrary spending targets, the new Independent Medicare Advisory Board is required to recommend further cuts to Medicare, including raising Medicare prescription drug plan premiums on beneficiaries, and those ***recommendations would go into effect even if Congress does not act on the recommendations.***

New bidding program that will cut $120 billion from Medicare Advantage. According to CBO, this will fall directly on the 11 million seniors enrolled in Medicare Advantage who will see their extra benefits, like vision care, free flu shots and dental coverage, cut in half. This directly violates President Obama's pledge that if you like what you have you can keep it. These cuts will hurt low-income enrollees the hardest, many of which cannot afford expensive supplemental polices to fill in the gaps in traditional Medicare.

Ignores the biggest payment problem in Medicare, the physician SGR, and leaves it virtually unsolvable in future years by making further Medicare cuts unrealistic as an offset to pay for a permanent solution. The CMS Actuary noted that reforms to the SGR physician payment mechanism "would increase Medicare costs by an estimated $214 billion" during the 10 year budget window in the House bill. Those provisions have been put into a separate bill so they would not be included in the cost of health reform when reforming physician payment is one of the most critical issues facing Medicare today, and one that should be at the top of the list of Medicare reforms.

A non-offset SGR bill in the House has been dubbed a "fiscal swindle" and a "$1.9 Trillion Gimmick" by *The Wall Street Journal* that would "increase Medicare's unfunded liabilities by $1.9 trillion over the next 75 years," making the issue nearly impossible to address in later years. A non-offset SGR bill has already been defeated in the Senate, while offsets to fix the problem are being used to fund a new entitlement program instead.

A Half Trillion in New Taxes

Imposes almost a half a trillion dollars worth of new taxes, fees, and penalties on individuals, families, and businesses.

Based on data from the Joint Committee on Taxation – the non-partisan Congressional scorekeeper – the bill would break President Obama's campaign promise by increasing taxes on individuals and families making less than $250,000 a year. This is even after taking into account the government subsidies provided to low- and certain middle-income individuals and families.

Lost Jobs and Lower Wages

The bill will impose $28 billion in new taxes on employers that do not provide government approved health plans. These new taxes will ultimately be paid by American workers in the form of reduced wages and lost jobs.

According to a recent study of similar proposals by the Heritage Foundation, these new job killing taxes will place approximately 5.2 million low income workers at risk of losing their jobs or having their hours reduced and an additional 10.2 million workers could see lower wages and reduced benefits.

Increased Premiums and Health Costs

Drives up premiums for young, healthy Americans by only allowing age bands to vary by 3 to 1. In an analysis of the Finance Committee's 4 to 1 age band, nationally recognized actuarial firms found that premiums would increase by 20 to 50 percent, which means this bill will likely lead to even higher premium increases.

Empowers the Secretary of HHS to decide what benefits are covered; "the Secretary shall define the essential health benefits"; mandates that all plans must include the essential health benefits.

Eliminates choices and makes Americans buy more expensive coverage by mandating actuarial values of 60 percent for the bronze plan, 70 for silver, 80 for gold, and 90 for platinum.

Limits catastrophic plans to only those who are age 30 and under or for those who meet un-affordability criteria; prohibits small businesses from offering catastrophic plans.

The new mandated minimum benefits, restrictive age rating requirements, taxes on health insurance, taxes on drugs and medical supplies, taxes on expensive health plans and the cost shifting that will result from expanding Medicaid will all combine to significantly increase health care cost for individuals who will be required by this bill to buy health insurance as well as the 85% of Americans who already have health insurance.

Government Health Care

Government run plan; State opt out if the State enacts a law prohibiting offering of a government run plan in the exchange; the Secretary shall negotiate provider reimbursement rates, but they cannot be higher than average rates paid by health insurance issuers offering qualified health plans through the exchange. According to CBO, "A public plan…would typically have premiums that were somewhat higher than the average premiums for the private plans in the exchanges."

Puts Washington in charge of your health care by mandating that all Americans must enroll in health insurance and dictating what kind of health insurance they have to buy. Also implements price controls on health insurance premiums and mandates burdensome reporting requirements.

Expands the government's share of health care spending, so that more than half of all health care spending in the U.S. will be by the government.

Biggest Medicaid Expansion in History

Imposes $25 billion in an unfunded burden and hidden tax increase on state taxpayers by requiring all states to cover everyone with an income at 133% of the federal poverty level ($14,403 for an individual/ $29,326 for a family of four) or lower.

Locks every American below 133% of poverty without employer-sponsored care into the worst delivery system in America (Medicaid) while giving lawfully present aliens eligibility for tax credits in the Exchange.

Allows Federal Funds to pay for Abortions

The bill does not include the House-approved Stupak prohibition on abortion funding, and instead uses Madoff-like accounting gimmicks to hide the fact that federal funds will for the first time go to health plans that cover abortion.

The Secretary may require abortion coverage in the government option (if funds are segregated, but because money is fungible, it is not possible to honestly prevent federal funds from ever being used)

The bill says it does not preempt state law, but requires each exchange to offer at least one plan covering abortion (several states currently prohibit or restrict the coverage of abortion in their state regulated insurance markets).

The bill will require insurers and hospitals to contract with abortion providers – even Catholic and other religiously based insurers and hospitals, who object to abortion. Conscience provisions in current law are intended to protect doctors who refuse to perform abortions from discrimination based on their unwillingness to provide abortions. The Reid bill radically changes these laws, applying the protections for the first time to *both* willingness or unwillingness to perform abortions. This change falsely equates a doctor's moral objections to abortion with the ability of groups like Planned Parenthood to force insurers who object to abortion to contract with and pay them. This change will mandate that abortion providers now must be included in the provider networks of insurers and hospitals. **Any health reform bill must include conscience protections aimed at protecting providers who object to performing abortions, not protecting abortion providers.**