Office of Congresswoman Niki Tsongas

Health Care Reform is Fully Paid For

HEALTH CARE REFORM REDUCES THE DEFICIT

CUTS THE DEFICIT by $143 billion in the first ten years (2010 – 2019). Cuts the deficit by $1.2 trillion in the second ten years.

REINS IN WASTEFUL MEDICARE COSTS AND EXTENDS THE SOLVENCY OF MEDICARE: Reduces annual growth in Medicare expenditures by 1.4 percentage points per year—while improving benefits and lowering costs for seniors. Extends Medicare's solvency by at least 9 years.

ENDING TAXPAYER SUBSIDIES FOR PRIVATE INSURERS IN MEDICARE

When private insurance companies first petitioned to join Medicare in the 1980s, they asserted they could provide more care for less than it costs Medicare to provide its services. They agreed to be paid 5% less than Medicare fee-for-service rates to prove that point. Today, these same companies – now called Medicare Advantage plans – are paid on average 14% more than it costs to provide care through the traditional fee-for-service Medicare program. These overpayments drain the Medicare trust fund, raise premiums for all Medicare enrollees, and cost taxpayers $12 billion a year.

HEALTH INSURANCE REFORM TRIMS OVERPAYMENTS, REWARDS QUALITY AND EFFICIENCY: Payment rates for private plans that contract with Medicare will no longer reflect these wasteful overpayments. High-quality plans that improve their enrollees' health, however, will receive an increase in their payment. This money can be used to offer extra benefits or reduce cost sharing. Seniors will have the guarantee that their premium dollars will pay for care and not pad profit margins. The bill requires Medicare Advantage plans to spend at least 85% of their revenue on clinical services and activities that improve quality of care.

Insurance companies have protested that these reforms will hurt their ability to do business, trying to scare seniors currently enrolled in MA plans. However, the non-partisan Congressional Budget Office disputes this -- estimating that after ten years, 9.1 million people will still be enrolled in these plans. The reforms ensure that Medicare beneficiaries' premiums are not artificially inflated to subsidize private insurance companies, and Medicare stays solvent and stable into the future.

EXCISE TAX ON HIGH COST EMPLOYER-SPONSORED HEALTH COVERAGE

The bill levies a tax of 40% on insurance companies and plan administrators for any health coverage plan with an annual premium that is above the threshold of $10,200 for single coverage and $27,500 for family coverage. The tax is effective <u>for</u> <u>everyone</u>, but not until **2018**, and applies to the amount of the premium in <u>excess</u> of the dollar threshold. This means that a plan that is in excess of the threshold will not see a 40% tax on the *entire* value of the plan, but simply the dollar amount that is *above* the $27,500 threshold. The tax applies to self-insured plans and plans sold in the group market, and does not apply to plans sold in the individual market. The cost of stand-alone dental and vision plans are subtracted when applying the tax. An additional threshold amount of $1,650 for single coverage and $3,450 for family coverage applies for retired individuals age 55 and older and for plans that cover employees engaged in high risk professions. The dollar amount thresholds are automatically increased if the inflation rate for group medical premiums between 2010 and 2018 is higher than the Congressional Budget Office estimates in 2010. The dollar thresholds are indexed to and grow with inflation. The Massachusetts Health and Human Services Office estimates that only 8,600 individuals out of the 3 million households in the Commonwealth would be affected by this tax.

ADDITIONAL MEDICARE HOSPITAL INSURANCE (HI) TAX FOR HIGH WAGE WORKERS

The bill increases the Medicare HI tax rate by 0.9 percentage points on an individual taxpayer earning over $200,000 ($250,000 for married couples filing jointly). The provision also broadens the tax to include net investment income in the taxable base in the case of a taxpayer earning over $200,000 ($250,000 for a joint return). Net investment income is interest, dividends, royalties, rents, gross income from a trade or business involving passive activities, and net gain from disposition of property (other than property held in a trade or business). Net investment income is reduced by properly allocable deductions to such income. The provision goes into effect in 2013.

HEALTH INSURANCE PROVIDER FEE

Recognizing the millions of new customers that private health insurers will have because of health care reform and building on the concept of “shared responsibility”, the bill imposes an annual flat fee on the health insurance sector beginning in 2014 allocated across the industry according to market share. The schedule for the flat fee is: 2014, $8 billion; 2015 and 2016, $11.5 billion; 2017, $13.5 billion; 2018, $14.3 billion and indexed to medical inflation for later years. The fee does not apply to companies whose net premiums written are $25 million or less.

PHARMACEUTICAL MANUFACTURERS FEE

The bill imposes an annual flat fee on the pharmaceutical manufacturing sector beginning in 2011 allocated across the industry according to market share. The schedule for the flat fee is: 2011, $2.5 billion; 2012 to 2016, $3 billion; 2017, $3.5 billion; 2018, $4.2 billion; 2019 and later, $2.8 billion. The fee does not apply to companies with sales of branded pharmaceuticals of $5 million or less.

MEDICAL DEVICE MANUFACTURERS FEE

The bill places a 2.3% excise tax on importers and manufacturers of medical devices. The tax applies to all medical devices, including Class I medical devices (except if such devices are of a type which is purchased by the general public at retail and for individual use).

TAX ON INDOOR TANNING SERVICES

The bill imposes a ten percent excise tax on indoor tanning services. The excise tax would be effective for services provided on or after July 1, 2010.