



# Federal Health Care Reform:

## Analysis & Talking Points

April 2010

### Summary of the Federal Health Care Reform Legislation

Congress and the President enacted H.R. 3590, the health care reform legislation, and H.R. 4872, the reconciliation bill. The following is a summary of the impact of both items of legislation taken together:

**Taxes:** \$592.2 billion in new taxes over ten years, including \$210.2 billion in Medicare payroll taxes and investment income tax increases.

**Spending:** \$1.33 trillion in new spending in the first ten years (2010-2019).

**Employer Mandate:** Requires employers with 51 or more employees to provide health coverage, or face a fine of \$2,000 for each employee who is not offered coverage.

**Individual Mandate:** Requires individuals to purchase health insurance or face a tax penalty equal to the higher of \$695 or 2.5 percent of taxable income.

**Medicare:** Decreases Medicare funding by \$416 billion over ten years.

**Medicaid:** Expands Medicaid eligibility from 100 percent to 133 percent of the Federal Poverty Level, adding 16 million individuals to the Medicaid program nationwide; Texas Medicaid population projected to increase 75 percent.

**Health Savings Accounts:** Pre-tax dollars in HSAs will no longer be able to be used to purchase non-prescription medications. Non qualified HSA distributions will be taxed at 20 percent, up from 10 percent per current law.

### Talking Points

- **The legislation is loaded with new taxes, including:**
  - Increases the Medicare payroll tax by an additional 0.9 percent and investment income taxes by an additional 3.8 percent for families making more than \$250,000 per year.
  - Imposes \$60.1 billion in new taxes on health insurers.
  - \$32 billion in new taxes on high-cost health insurance plans.
  - Excludes non-prescription medications from being purchased with pre-tax HSA dollars – a \$5 billion tax penalty.
- **Unconstitutional mandate:**
  - The mandate that requires individuals to purchase health insurance may be unconstitutional.
  - The Constitution does not authorize the federal government to compel citizens to purchase a specific product.
  - Texas Attorney General Greg Abbott has joined other attorneys general in suing the federal government.
  - The mandate will drive up cost, without guaranteeing universal coverage.
- **Grows government without addressing the cost of health insurance:**
  - The expansion of Medicaid in Texas alone will cost \$24 billion over ten years.
  - The legislation also appropriates up to \$10 billion to the Internal Revenue Service to enforce the new regulations.
  - In their entirety, the reforms place the federal government at the center of the nation's health care system.
  - Free market reforms to reduce the cost of insurance – such as interstate competition and medical malpractice lawsuit reform – were rejected.

- **Initial cost estimates are misleading because many of the benefits are deferred:**
  - With the exception of guaranteed issue for children and pre-existing conditions, most benefits do not become effective until 2014.
  - As a result, estimates by the Senate Budget Committee Republican Staff suggest the first ten years of *full* implementation of the legislation (2014-23) will cost \$2.64 trillion, almost double the apparent cost for 2010-2019 period.
  
- **The big government approach to providing universal health care has been tried and failed in Massachusetts and Maine:**
  - Massachusetts' health care reform plan has left 200,000 citizens still uninsured, while costs have ballooned from \$630 million in 2007 to \$1.3 billion in 2009.
  - Maine's health care reform enacted in 2003 was supposed to save the state money, but has cost more than \$155 million. The state's Medicaid enrollment is twice the national average, yet the uninsured rate is only slightly lower than in 2003.
  
- **Increased spending on Medicaid in Texas will come at the expense of other priorities, such as transportation funding and property tax relief.**
  - The Texas Medicaid program is already one of the fastest-growing parts of the state budget.
  - For the past two decades Medicaid spending has increased in real terms, while transportation infrastructure spending has declined. The Medicaid expansion will only divert more state resources away from other spending priorities, including transportation, property tax relief, public education, and law enforcement.

*Sources: The Congressional Budget Office, the Republican Study Committee, Senate Budget Committee Republican staff, and the Tax Foundation.*