



U.S. CHAMBER OF COMMERCE HEALTH CARE

Health Reform: Rhetoric and Reality

There has been a lot of talk about misinformation in the health reform debate – fishy emails, conflicting statements by politicians, allegations. The U.S. Chamber of Commerce provides the following information to shed some light on the business perspective on the probable effects of the Affordable Health Choices Act.

Can you keep the plan you have? The President and Democrats in Congress (proponents) insist that their bills will let you keep the plan you have. However, the nonpartisan Congressional Budget Office (CBO)ⁱ and the Lewinⁱⁱ group found that millions of people will lose their employer-sponsored coverage. After 5 years, new government rules will apply to all plans, overseen by the Health Choices Administrationⁱⁱⁱ.

Will health reform lower costs? Everyone agrees lowering the rate of growth in health care costs is essential. Although the proponents and interest groups claim that health reform will lower costs, the CBO finds that the House^{iv} and Senate HELP^v bills will **increase** health care costs. Initial estimates say the draft Senate Finance bill will lower costs – but the other bills would make the current unsustainable situation worse.

Will the government take over health care? Proponents say their bills will not lead to a government takeover. However, outside estimates say that a new government-run public option may eventually lead to a single-payer government-run health system.^{vi} The President is on record saying he would prefer single-payer, and Reps. Barney Frank and Jan Schakowsky have said the public option will lead to single-payer (so has Nobel laureate Paul Krugman)^{vii}. Further, new government bureaucracies will have to approve health insurance policies, and all Americans may be funneled into a government-run “Exchange” after a five year “grace period”^{viii}.

Will taxes be increased? Proponents say there will be no tax increases except on the wealthiest Americans. However, the House bill has a new \$540 billion surtax that will apply to small businesses who file as individuals (at \$280,000 income for single and \$350,000 for joint filers), and there will be a new 2.5% tax on the uninsured.^{ix}

Will your health insurance be more “stable”? Proponents say so, but they don’t account for the fact that private and employer-sponsored health insurance costs will go up. Government-run health insurance will underpay doctors and hospitals, so hospitals and Doctors then will have to charge your insurance more^x – which will make your premiums higher^{xi}. Plus, you will be required to purchase “government-approved” Cadillac plans that will be more costly than high-deductible/Health Savings Accounts plans, which may not qualify.^{xii}

Will you be able to keep your doctor? Doctors are increasingly hesitant to take any insurance^{xiii} – many doctors already no longer accept new Medicare or Medicaid patients^{xiv}. The bills would create a new public plan that would underpay doctors, and also cut Medicare^{xv} – so doctors may be forced to charge higher prices, or no longer see patients who have insurance that doesn’t adequately reimburse them.

Will there be more prevention to keep people healthy? Proponents claim so. However, the bills actually restrict wellness programs^{xvi} – for instance, successful plans that reward employees for participating in wellness programs will be outlawed.

Is health reform “paid for”? Proponents say it is. However, according the CBO the House bill contains \$239 billion that is not paid for^{xvii}, but because of budget gimmicks doesn’t count according to the House “pay-go” rules. Further, the taxes start before the program – meaning it is frontloaded, and after the first ten years, the deficit explodes^{xviii}. Taxes will have to be significantly increased.



Health Reform: Rhetoric and Reality (continued)

- ⁱ CBO Report on Kennedy-Dodd: <http://www.cbo.gov/doc.cfm?index=10310>
- ⁱⁱ Lewin - July 15 Draft of House bill: <http://www.lewin.com/content/publications/LewinAnalysisHouseBill2009.pdf>
- ⁱⁱⁱ HR 3200, Division A, Title I, Subtitle A, Section 102 says plans may get a 5-year grace period, after which all plans are subject to Health Choices Administration and Health Benefits Advisory Committee qualification standards.
- ^{iv} CBO Director Elmendorf tells House Ways and Means their bill increases costs: <http://www.youtube.com/watch?v=yrrnucDxnFy0>
- ^v Elmendorf on the curve being raised by Kennedy-Dodd: <http://blogs.abcnews.com/thenote/2009/07/cbo-sees-no-federal-cost-savings-in-dem-health-plans.html>
- ^{vi} George Will cites crowd-out estimates, which would be catastrophic for the private market: <http://www.washingtonpost.com/wp-dyn/content/article/2009/06/19/AR2009061902334.html>
- ^{vii} Blog posting with videos of President Obama, Reps. Frank, Schakowsky, Krugman, and more: <http://blog.heritage.org/2009/08/03/still-not-convinced-the-public-option-is-a-trojan-horse-for-single-payer/>
- ^{viii} See ⁱⁱⁱ.
- ^{ix} HR 3200 (See Division A, Title III, Subtitles A&B, and Division A, Title IV, Subtitle D): <http://thomas.loc.gov/cgi-bin/query/z?c111:H.R.3200>:
- ^x Milliman study finding that existing government programs raise private insurance costs 20-30 percent: <http://www.ahip.org/content/default.aspx?docid=25216>
- ^{xi} HR 3200, Division A, Title II, Subtitle B, Section 223 directs that Medicare prices will be used, which guarantees to continue and expand the current effects of underpayment.
- ^{xii} HR 3200, Division A, Title I, Subtitle C lays out the “essential benefits package” and establishes the new bureaucracy that will pile on to it. The actuarial requirements require a gold-plated plan.
- ^{xiii} Type “doctors” and “cash only” into Google or Lexis-Nexis to find countless reports on this phenomenon.
- ^{xiv} “More than 45 percent [of physicians] say they have cut back on new Medicare patients in the past three years.” <http://www.medicalnewstoday.com/articles/102073.php>
- ^{xv} “Health-care overhaul legislation being drafted by House Democrats will include \$600 billion in tax increases and \$400 billion in cuts to Medicare and Medicaid, Ways and Means Committee Chairman Charles Rangel said.” <http://www.bloomberg.com/apps/news?pid=20601087&sid=aqLNecbH0dgc>
- ^{xvi} HR 3200, Division A, Title 1, Subtitle B, Section 113(a), outlaws varying insurance premiums based on anything except age, location, and family vs. individual.
- ^{xvii} CBO July 26 Update on HR 3200: <http://www.cbo.gov/ftpdocs/104xx/doc10400/07-26-InfoOnTriCommProposal.pdf>
- ^{xviii} Using CBO numbers – “17 percent of the spending comes in the first five years, while 83 percent comes in the second five years. What this means is that the American people see \$1 trillion over 10 years and they think that means the bill would cost about \$100 billion a year -- but the reality is more than double that. In the final year of the CBO estimates, 2019, the spending hits \$230 billion.”: <http://spectator.org/blog/2009/07/14/10-year-time-frame-obscures-fu>