



## Pelosi's 2000+ Page Health Bill Fails the Reform Test

On Thursday, October 29<sup>th</sup>, Speaker of the House Nancy Pelosi unveiled the next version of the House health care legislation, which led to vast opposition and memorable town hall meetings over the August recess. Although astoundingly similar to H.R. 3200, the newly released bill (H.R. 3962) contains provisions that are even worse. Because this bill would make providing affordable health care coverage for employers and working families worse than today, it fails the health reform test.

H.R. 3962 fails to achieve any of the goals we have for health reform. It doesn't lower costs, it raises them. It doesn't cover the uninsured. And it will threaten the current coverage of tens of millions of Americans.

- The bill explodes government spending, costs over \$1 trillion, "leaving the government spending \$598 billion more on health care by 2019... 7 times more than under the Senate package."<sup>i</sup>
- The bill hikes a new 5.4% federal income surtax on "wealthy" individuals and small businesses (\$461 billion), and new taxes on medical devices (\$20b) and small business transactions (\$17b), 8% payroll tax on many businesses (\$135b), 2.5% tax on the uninsured (\$33b), and more.<sup>ii</sup>
- False assertions aside, the bill does not allow working families to keep their current coverage.<sup>iii</sup>
- Medicare is slashed by \$385 billion. Payments to doctors, hospitals, nursing homes, and home health are reduced. The Medicare Advantage program is gutted; HHS estimates similar provisions would cause 64% of enrollees to lose their plans.<sup>iv</sup>
- A new government-run "public option" plan will pay doctors less than "market" rates (despite nonsense about negotiating with the government), which will cause your insurance to be more expensive, and destabilize the insurance market. This cost shift already occurs today due to underpayments of Medicare and Medicaid and will be exacerbated by a government-run plan.<sup>v</sup>
- Provisions to change Medicare reimbursement rates (the "doc fix") were stripped out of the bill but will be passed separately, without being offset, increasing the deficit by nearly \$250 billion.<sup>vi</sup>
- The pay-or-play mandate will kill jobs<sup>vii</sup>, <sup>viii</sup> lower wages<sup>ix</sup>, and incent businesses not to grow. All but the smallest businesses must provide government-approved benefits, or pay a significant new 8% payroll tax. In fact, 12 million people could be thrust out of employer-sponsored health plans.<sup>x</sup>
- The House bill does not include meaningful medical liability reform, in fact it's worse than having no tort reform – the bill punishes states that have capped attorney fees.<sup>xi</sup>
- Despite spending over \$1 trillion, the bill would still leave 18 million people uninsured in 2019.<sup>xii</sup>

Tell Congress to trash this 2000-page, \$1 trillion waste, and write a bill that doesn't hurt businesses and working families, but helps them. We need bipartisan health reform that actually lowers costs, covers the uninsured, and makes the health care system more stable and fair... Not a massive new bureaucracy that threatens coverage for workers and seniors, and moves the country toward government-run health care.

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<sup>i</sup> *CBO: House bill's health-care spending would dwarf Senate proposal's*, by Lori Montgomery, the Washington Post. October 30, 2009. <http://www.washingtonpost.com/wp-dyn/content/article/2009/10/30/AR2009103002026.html>

<sup>ii</sup> Congressional Budget Office and Joint Committee on Taxation reports on H.R. 3962. <http://www.cbo.gov/ftpdocs/106xx/doc10688/hr3962Rangel.pdf>, <http://www.ict.gov/publications.html?func=startdown&id=3619>

<sup>iii</sup> H.R. 3962, Division A, Title II, Subtitle A, Section 202(b)(1)(A) states that after a 5-year grace period, all employer plans must conform to the rules set by the Health Benefits Advisory Committee, the Health Choices Commissioner, and other rules set out in the legislation.

<sup>iv</sup> *Estimated Financial Effects of the "America's Affordable Health Choices Act of 2009" (H.R. 3200), as Reported by the Ways and Means Committee*, by Richard Foster, Chief Actuary, CMS, HHS. <http://www.docstoc.com/docs/13620474/CMS-OACT---Memo-on-Financial-Impact-of-H-R--3200-09-10-21>

<sup>v</sup> H.R. 3962, Division A, Title III, Subtitle B, Section 323: Specifically directs the plan to pay below market rates.

<sup>vi</sup> *2.47 Trillion Dimes*, Editorial, the Washington Post. October 19, 2009. <http://www.washingtonpost.com/wp-dyn/content/article/2009/10/18/AR2009101801995.html> [Refers to Senate version of H.R. 3961]

<sup>vii</sup> A study commissioned by Heritage found that the pay-or-play mandate in H.R. 3200 put 5.2 million low wage workers at risk of unemployment or reduced hours. <http://www.heritage.org/Research/healthcare/bg2312.cfm>

<sup>viii</sup> *Effects of Changes to the Health Insurance System on Labor Markets*, Congressional Budget Office. July 14, 2009. <http://www.cbo.gov/ftpdocs/104xx/doc10435/LaborMarkets.htm>

<sup>ix</sup> Gruber, Jonathan. 1994. "The incidence of mandated maternity benefits." *The American Economic Review*, 84-3, pp. 622 – 641. [Found that the costs of mandates are passed down to workers in the form of lower wages]

<sup>x</sup> See HHS report linked in *iii*, page 7.

<sup>xi</sup> *House healthcare bill cuts incentives to states that cap attorney fees, damages*, by Tony Romm, The Hill. October 30, 2009. <http://thehill.com/blogs/blog-briefing-room/news/65633-house-healthcare-bill-cuts-incentives-to-states-that-cap-attorney-fees-damages>

<sup>xii</sup> See CBO report linked in *ii*, page 16.

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