

## Top-Line Facts:

- **Spending:** The cost of the bill is \$2.5 trillion over 10 years of full implementation.
- **Taxes Increases:** Taxes will go up \$493.6 billion—nearly half a trillion dollars.
- **Medicare Cuts:** Medicare will be cut \$464.6 billion—another half a trillion dollars.
- **Total Number of Pages:** 2074
- **Abortion:** The bill permits the use of accounting gimmicks that will, for the first time, allow federal dollars to go to plans covering abortion. The bill does not include the Stupak language, and as a result, National Right to Life describes the Reid bill language as “completely unacceptable” and said it would “result in coverage of abortion on demand in two big new federal government programs.”
- **Government Plan:** The bill includes a government run plan and provides states with the possibility of opting out of participating in that plan. According to CBO, the government run plan “would typically have premiums that were somewhat higher than the average premiums for the private plans in the exchanges”
- **Employer Mandate:** 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.

## Additional CBO Background:

- The bill would bend the federal cost-curve up. CBO says, “Under the legislation, federal outlays for health care would increase during the 2010–2019 period, as would the federal budgetary commitment to health care.” The coverage expansion would drive a net increase in government spending on health by \$160 billion over 10 years.
- CBO scored the bill as reducing the deficit by \$130 billion over FYs 2010-2019.
  - However, CBO notes that the bill includes two budget gimmicks that hide the true cost of the bill. Doctors are assumed to get a 23 percent cut in 2011 which would carry into subsequent years. Fixing the SGR would cost \$247 billion. Additionally, the CLASS Act generates \$72 billion over the budget window, but later turns to deficits. Eliminating these two gimmicks means the bill would be \$189 billion in the red. It would also put the real cost of the bill over a trillion dollars.
- The start dates for the individual mandate, exchanges, and employer penalties were all moved from July 1, 2013, to January 1, 2014.
  - This is another budget gimmick to hide the true cost of the bill.
- 24 million people would be left without insurance.
- Unfunded mandates on the states: The bill mandates that states spend an additional \$25 billion in Medicaid expenditures
- Taxes on uninsured individuals would total \$8 billion.
- Taxes on employers from the “free-rider” penalty would total \$28 billion.
- 5 million Americans would lose their employer coverage.
- Cuts to Medicare include: Permanent reductions in the annual updates to Medicare’s payment rates for most services in the fee-for-service sector of \$192 billion; \$118 billion

in cuts to Medicare Advantage; \$43 billion in DSH cuts; \$23 billion in unspecified cuts by the Medicare Advisory Board.

- Only 19 million people will get a subsidy to help them buy health insurance.
  - None of the 162 million people with employer-based care will even be eligible for a subsidy.
- The government plan would have higher premiums than private plans. CBO said the government plan would “typically have premiums that were somewhat higher than the average premiums for the private plans in the exchanges.”
  - With the opt-out provision, two-thirds of Americans are expected to have a government plan available in their state.
  - Co-ops are included but would have “very little effect.”
- The CLASS Act would reduce deficits by \$72 billion in the 10 year budget window, but “would begin to increase budget deficits” in the decade following 2029.
- The IRS would need \$5-\$10 billion to expand and implement the provisions in the bill.
- The costs of the subsidies in the exchange would grow at 8 percent a year.
- The tax on high value plans will quickly be applied to almost all plans. CBO expects the revenues from the Cadillac plan tax to grow at 10-15 percent per year outside the budget window.
- Includes a \$15 billion “Prevention and Public Health Fund” slush fund.
- CBO says it would be “difficult” to maintain the predicted savings over a long period of time—meaning that the plan will likely run deficits when savings do not materialize.

### Summary of Tax Provisions

|   | <b>Baucus Bill</b> | <b>Reid Bill</b> |
|---|--------------------|------------------|
| Cadillac plan tax                                     | \$201.4            | \$149.1          |
| Employer W-2 reporting of health benefits             | Negligible         | Negligible       |
| Conform definition of medical expenses                | \$5.4              | \$5              |
| Increase penalty for nonqualified HSA deductions      | \$1.3              | \$1.3            |
| Limit FSAs to \$2,500                                 | \$14.6             | \$14.6           |
| Corporate information reporting                       | \$17.1             | \$17.1           |
| Requirements for non-profit hospitals                 | Negligible         | Negligible       |
| Pharma fee, effective 2010                            | \$22.2             | \$22.2           |
| Device manufacturer fee, effective 2010               | \$38.6             | \$19.3           |
| Health insurer fee, effective 2010                    | \$60.4             | \$60.4           |
| Eliminate subsidy related to Part D                   | \$5.4              | \$5.4            |
| Raise 7.5 percent AGI floor to 10 percent             | \$15.2             | \$15.2           |
| \$500k deduction cap on pay for health insurers       | \$600 million      | \$600 million    |
| 0.5% HI payroll tax over \$200single/\$250married     | Not included       | \$53.8           |
| Section 833 treatment of certain insurers (the Blues) | Not included       | \$400 million    |
| Cosmetic surgery tax                                  | Not included       | \$5.8 billion    |
| Individual and employer mandate penalties             | \$27 billion       | \$36 billion     |

|   |                      |                        |
|---|----------------------|------------------------|
| Effects of coverage provisions on revenues<br><i>*This number is not directly comparable in both scores</i> | \$83 billion         | \$70 billion           |
| Other changes in revenue  | \$16.3 billion       | \$14.8 billion         |
| <b>TOTAL</b>  | <b>\$508 billion</b> | <b>\$493.6 billion</b> |