

The Cost of Health Care, Major Provisions to Reduce Health Care Costs in the Affordable Care Act, The Cost of the Affordable Care Act, and all of the Taxes and Major Spending Reductions in the Affordable Care Act

#1: The Cost of Health Care

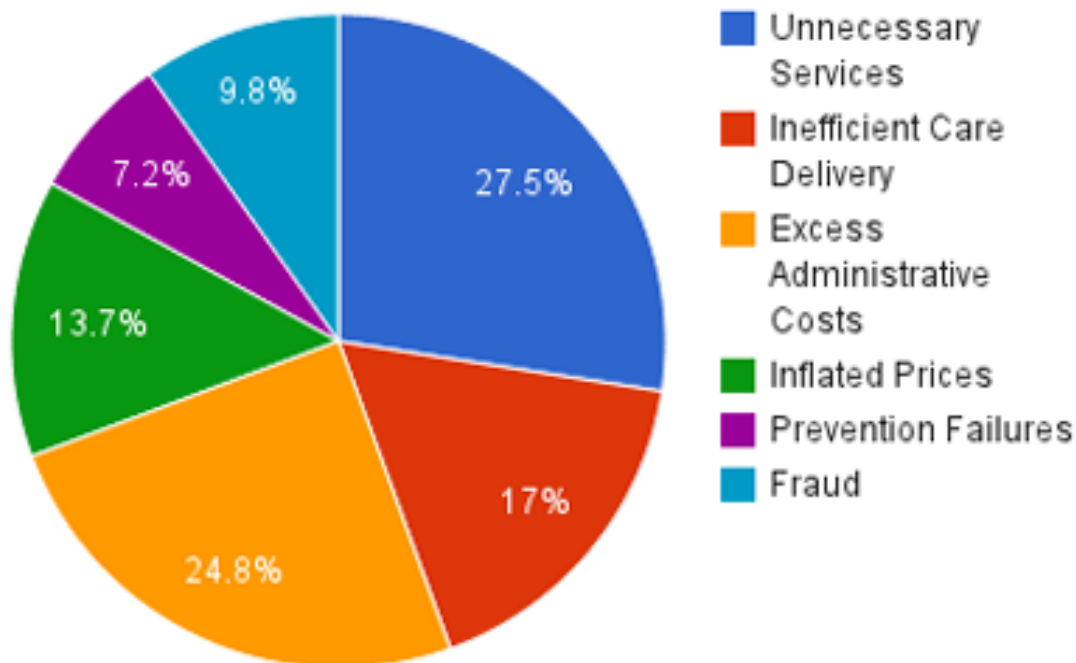
Almost 18 cents of every dollar spent in the United States is spent on health care

In 10 years almost 20 cents of every dollar will be spent on health care

According to the Institute of Medicine:¹

- We spend **\$2.6 trillion per year** on all forms of health care
- **30 percent** of that amount (\$750 billion per year) is **classified as waste**: overuse, inefficiencies and fraud

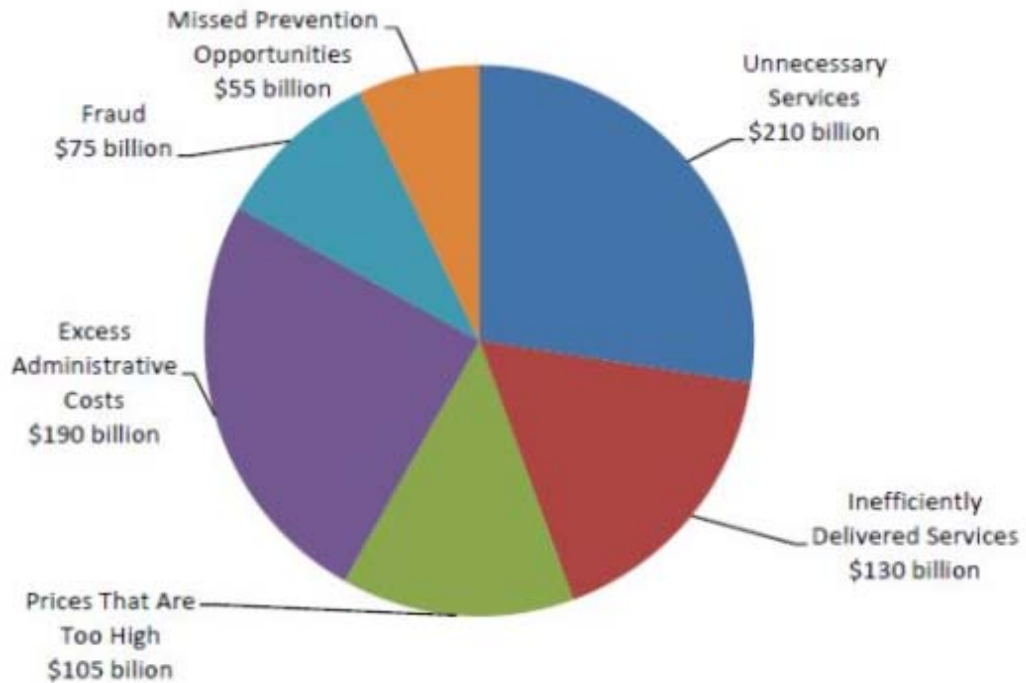
What we waste money on:² (clockwise from upper right)



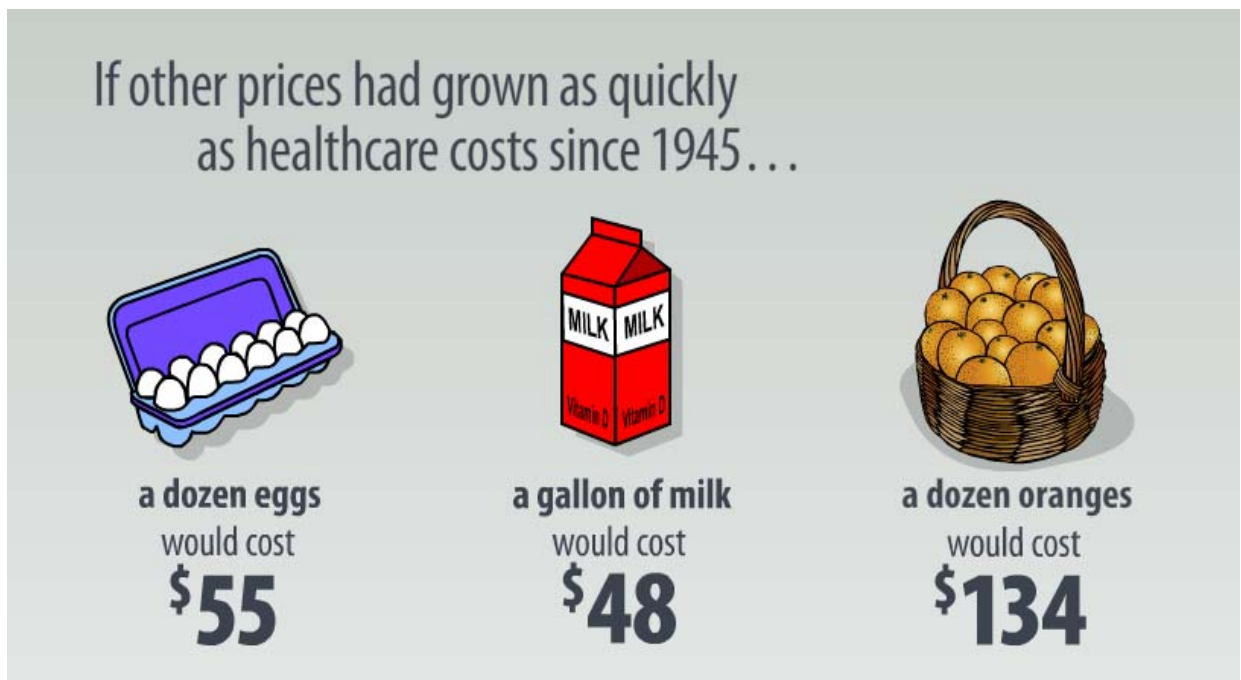
¹ Institute of Medicine, The Health Care Imperative, 2009

² Ibid

How much money we waste every year:³

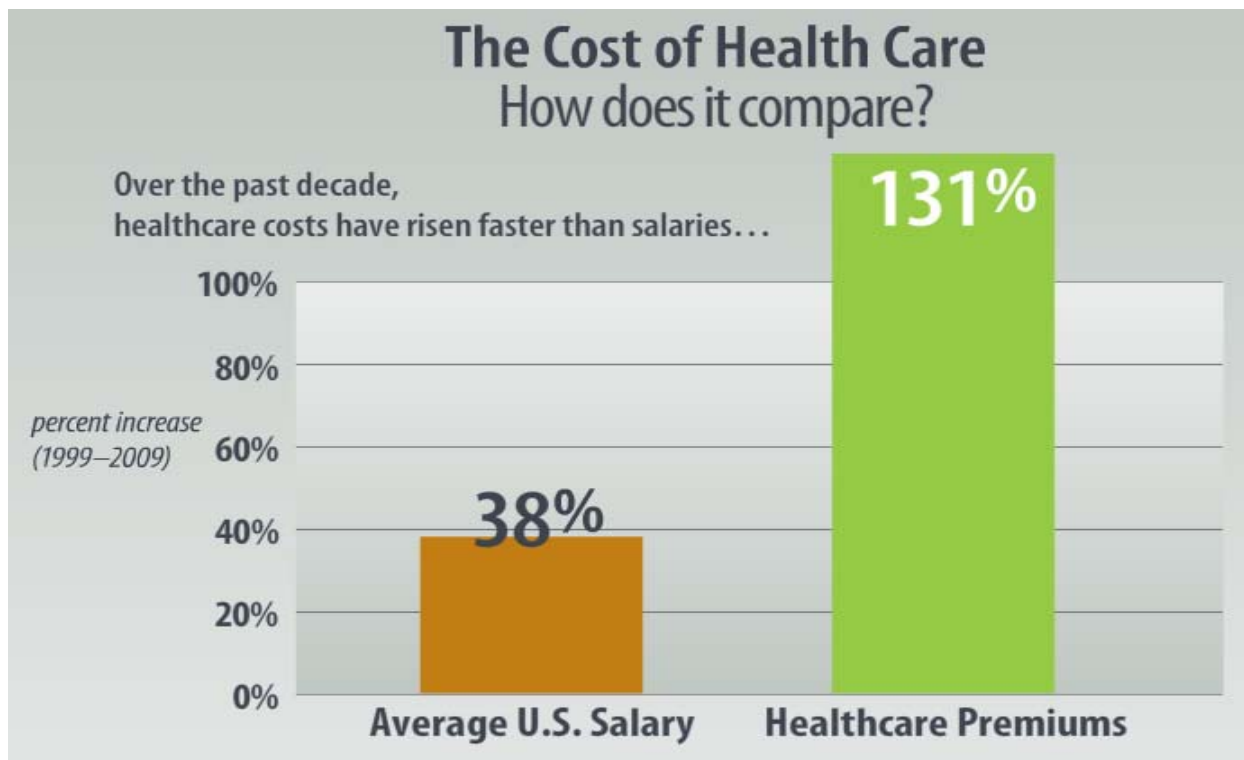


Costs in health care grow much faster than in other sectors of the economy⁴



³ Institute of Medicine, The Health Care Imperative, 2009

⁴ Ibid



#2: The Major Provisions of the Affordable Care Act Designed to Reduce Health Care Costs *(Source Kaiser Family Foundation Summary of Affordable Care Act)*

1. Individual mandate (the requirement to purchase health insurance coverage or pay a tax penalty) to reduce uncompensated care costs and direct patients to less costly forms of care
2. Medicaid expansions to reduce uncompensated care costs and direct patients to less costly forms of care
3. Health insurance exchanges to reduce premium cost growth through the creation of a larger individual market risk pool
4. Consumer Operated and Oriented Plan (CO-OP) program to foster the creation of non-profit member-run health insurance companies
5. Medical Loss Ratios and rate review to reduce premium cost growth
6. Standards for financial and administrative transactions to promote administrative simplification
7. Permit states to form health care choice compacts for cross state insurance purchasing
8. Simplify health insurance administration by adopting a single set of operating rules for eligibility verification and claims status
9. Establish an Independent Payment Advisory Board to make recommendations to reduce Medicare spending
10. Accountable Care Organizations (ACOs) that voluntarily meet quality thresholds share in the cost savings they achieve for the Medicare program
11. Innovation Center within the Centers for Medicare and Medicaid Services to reduce program expenditures while maintaining or improving quality of care
12. Reduce waste, fraud, and abuse in public programs

⁵ Institute of Medicine, *The Health Care Imperative*, 2009

13. Establish non-profit Patient-Centered Outcomes Research Institute
14. Award five-year demonstration grants to states to develop, implement, and evaluate alternatives to current tort litigations
15. Establish a national Medicare pilot program to develop and evaluate bundled payments
16. Independence at Home demonstration program to provide high-need Medicare beneficiaries with primary care services in their home
17. Establish a hospital value-based purchasing program in Medicare
18. Federal Coordinated Health Care Office to improve care coordination for dual eligibles
19. Create new demonstration projects in Medicaid to pay bundled payments for episodes of care
20. Develop a national quality improvement strategy that includes priorities to improve the delivery of health care services, patient health outcomes, and population health
21. Enhanced collection and reporting of data
22. Eliminate cost-sharing for some Medicare covered preventive services
23. Authorize Medicare coverage of personalized prevention plan services
24. Provide grants for up to five years to small employers that establish wellness programs
25. Permit employers to offer employees rewards for participating in a wellness program
26. Extend the Medicaid Money Follows the Person Rebalancing Demonstration program
27. Establish the Community First Choice Option in Medicaid
28. State Balancing Incentive Program to increase the proportion of non-institutionally-based long-term care services.
29. Establish Community-based Collaborative Care Network Program to coordinate and integrate health care services, for low-income uninsured and underinsured populations
30. Establish the National Prevention, Health Promotion and Public Health Council to coordinate federal prevention, wellness, and public health activities
31. Establish a Prevention and Public Health Fund
32. Establish a grant program to support the delivery of evidence-based and community-based prevention and wellness services
33. Workforce Advisory Committee to develop a national workforce strategy

#3: The Estimated Cost of the Affordable Care Act

1. Cost of Affordable Care Act according to the CBO: **\$938 billion from 2010 – 2019 (10 years)**⁶
2. Cost of Affordable Care Act according to the CBO: **\$1.496 trillion from 2011-2022 (11 years)** (*partly due to slower economic recovery estimates, later time range and 1 year additional span*)⁷
3. According to the CBO, the Affordable Care Act is projected to reduce the national deficit by **\$109 billion between 2013 – 2022**⁸
4. **Insurance coverage provisions** of the Affordable Care Act could be **\$84 billion less** as a result of the Supreme Court ruling allowing states to opt out of the ACA Medicaid expansions⁹

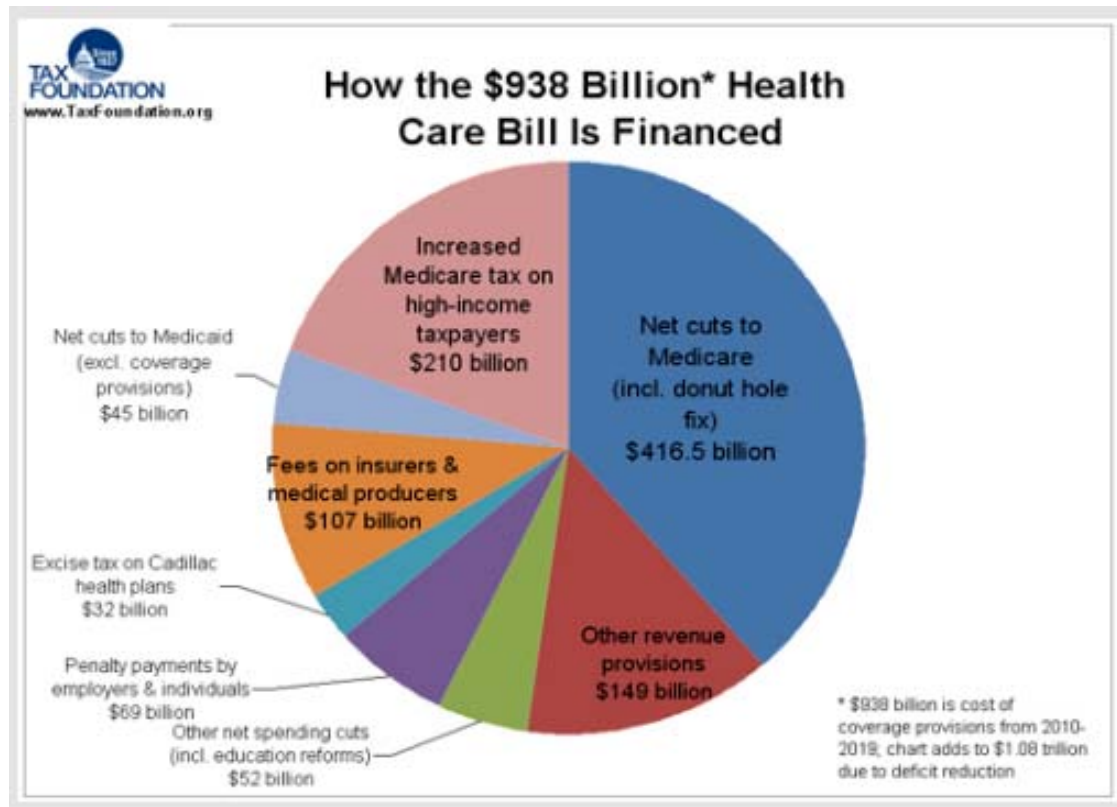
⁶ <http://cbo.gov/sites/default/files/cbofiles/ftpdocs/121xx/doc12119/03-30-healthcarelegislation.pdf>

⁷ <http://www.factcheck.org/2012/03/gop-misrepresents-cbo/>

⁸ <http://www.cbo.gov/publication/43471>

⁹ <http://www.cbo.gov/sites/default/files/cbofiles/attachments/43472-07-24-2012-CoverageEstimates.pdf>

5. How the original cost estimates for the Affordable Care Act were divided. (Note: Does not include savings from Medicare)¹⁰



#4: All of the Major Taxes in the Affordable Care Act and when they are Implemented *(Source Kaiser Family Foundation Summary of Affordable Care Act)*

1. Limit the deductibility of executive and employee compensation to \$500,000 per applicable individual for health insurance providers. (2009)
2. Impose a tax of 10% on the amount paid for indoor tanning services. (2010)
3. Exclude unprocessed fuels from the definition of cellulosic bio-fuel. (2010)
4. Clarify application of the economic substance doctrine and increase penalties for underpayments (2010)
5. Exclude the costs for over-the-counter drugs not prescribed by a doctor from being reimbursed through HRA or health (2011)
6. Increase the tax on distributions from a health savings account or an Archer MSA (2011)
7. Impose an excise tax of 2.3% on the sale of any taxable medical device. (2012)
8. Limit the amount of contributions to a flexible spending account for medical expenses (2013)
9. Increase the threshold for the itemized deduction for unreimbursed medical expenses to 10% of adjusted gross income. (2013)
10. Increase the Medicare Part A (hospital insurance) tax rate on wages by 0.9% (from 1.45% to 2.35%) on earnings over \$200,000 for individual taxpayers and \$250,000 for married couples
11. Impose a 3.8% tax on unearned income for higher-income taxpayers (same as above) (2013)
12. Eliminate the tax deduction for employers who receive Medicare Part D retiree drug subsidy payments. (2013)
13. Impose new annual fees on the pharmaceutical manufacturing sector, according to the following schedule:

¹⁰ Tax Foundation @ www.taxfoundation.org

\$2.8 billion in 2012-2013

\$3.0 billion in 2014-2016

\$4.0 billion in 2017

\$4.1 billion in 2018

\$2.8 billion in 2019 and later

14. Impose an annual fee on the health insurance sector, according to the following schedule:

\$8 billion in 2014

\$11.3 billion in 2015-2016

\$13.9 billion in 2017

\$14.3 billion in 2018

15. For subsequent years, the fee shall be the amount from the previous year increased by the rate of premium growth

16. For non-profit insurers, only 50% of net premiums are taken into account in calculating the fee.

Exceptions for non profit insurers (elderly, low income, PWD, and VEBAs) (2014)

17. Individual Mandate tax penalty (2014)

18. Excise tax on high value insurance plans (2018)

#5: The Major Spending Reductions in the Affordable Care Act and when they are Implemented *(Source Kaiser Family Foundation Summary of Affordable Care Act)*

1. Reduce federal payments to Medicare Advantage (MA) plans (phased in 2011-2014)
2. Reduce annual market basket updates for inpatient hospital, home health, skilled nursing facility, hospice and other Medicare providers, and adjust for productivity
3. Reduce the Medicare Part D premium subsidy for those with incomes above \$85,000/individual and \$170,000/ couple (2011)
4. Cap Medicare spending at GDP plus ½ percent
5. Reduce Medicare Disproportionate Share Hospital (DSH) payments
6. Reduce Medicare payments for excess (preventable) hospital readmissions.
7. Reduce Medicare payments for hospital-acquired conditions
8. Reduce Medicaid Disproportionate Share Hospital (DSH) payments
9. Reduce waste, fraud, and abuse in public programs (Medicare and Medicaid)