

## 12 REASONS WHY CONSUMERS SHOULD BE CONCERNED ABOUT HEALTH CARE REFORM<sup>1</sup>

- 1. Allows “free riders” to drive up the cost of health insurance coverage.** Both bills allow healthy individuals to pay a small penalty and only buy coverage when health care services are needed. While this may sound good, it would be like allowing someone to buy homeowner’s insurance after their house burns down, to cover the cost of rebuilding their house. The result is a sicker insurance pool, which drives up costs for everyone who obtains health insurance coverage to protect themselves and their families from catastrophic medical expenses before they need it.  
An actuarial analysis indicate that allowing individuals to wait to get coverage until medical services are needed, combined with required richer benefits and new taxes, will increase health insurance premiums on average by 85% for individuals purchasing health insurance after health insurance reform is enacted.<sup>2</sup>
- 2. Requires more comprehensive health insurance coverage that will increase insurance costs and reduce consumer choice.** Both bills will increase costs and reduce benefit flexibility, according to numerous studies. Benefits must meet certain requirements, which will lead to higher insurance costs. Benefit requirements leading to higher costs include:
  - Raising or eliminating annual limits on benefits
  - No pre-existing exclusions or penalties for individuals who have not had health insurance coverage continuously
  - Mandated dependent coverage until age 26 or 27, regardless of student status
- 3. Prohibits and limits discounts on health insurance premiums.** Both bills will prohibit discounts based on health status and limit age discounts, which will dramatically raise the cost of coverage for many.
  - Much higher premiums for younger individuals
  - Much higher premiums for healthy individuals
- 4. Forces individuals to purchase health insurance coverage through the government with limited choices.** The House bill prohibits health insurers from selling new kinds of health insurance coverage to individuals, and thus individuals will be forced to buy coverage through the health insurance “exchange”, a government portal that limits consumer choices.
- 5. Drives up the cost of health insurance coverage through new taxes in the Senate bill.** A \$6.7B tax on insurers is not tax deductible and will result in approximately 2 percent higher premiums, driving up costs for individuals. Additionally, for individuals with coverage through their employer, a new 40% tax on high-cost insurance is based on a formula where more and more employees will indirectly pay the tax each year through higher health insurance premiums.
- 6. Raises personal income taxes.** While the House bill pays for reform largely by taxing individuals making over \$500k per year, it is not indexed for inflation, so more and more individuals will pay the tax every year. This tax also hits small employers.
- 7. Reduces benefits and choice for seniors through Medicare cuts.** Both bills pay for reform by cutting Medicare by hundreds of billions of dollars over the next 10 years. The federal government estimates that the House bill cuts Medicare by \$571B over the next 10 years, including \$200B from Medicare Advantage, which nonpartisan experts agree will reduce benefits and choices for seniors.

<sup>1</sup> The major health care reform bills are H.R.3962 and S. Amdt. 2786. 11/30/09

<sup>2</sup> [http://www.wellpoint.com/newsroom/stats\\_facts.asp](http://www.wellpoint.com/newsroom/stats_facts.asp)

8. **Under-pays providers in government-run plans in both bills**, worsening medical providers' cost shift to individuals in private health insurance coverage and raising health care premiums.
9. **Weakens cost containment in all bills**. While the focus of responsible health care reform should be to improve quality and control costs, there is little in either bill that would reform the health care delivery system and control escalating health care costs.
10. **Discourages employer hiring through new employer requirements**. Both bills place additional requirements on employers that in many cases will increase employer costs for each employee (8% employer payroll tax in the House bill). With unemployment already at a 26-year high, requirements that increase the costs of employment will exacerbate the employment challenges in the U.S. A study by the National Federation of Independent Business concluded that a national employer health care mandate would generate a net loss of more than 1.6 million jobs.
11. **Encourages employers to drop health insurance coverage for employees through a "pay or play" mandate**. Both bills give employers the option to either continue to offer health insurance coverage for employees or to drop their existing coverage and pay a tax. Many employers will choose to pay the minimal tax (\$750 per year in the Senate bill), rather than continue to offer health insurance that would be much more expensive than the tax. This means employees would be forced to buy health insurance coverage on their own, which will likely be more expensive than employer-sponsored coverage, or face a tax penalty for not purchasing coverage. And employees buying individual health insurance coverage will not have the tax advantages they do under employer-sponsored coverage.
12. **New employee payroll deduction for new disability / long-term care benefit in both bills**. All employees will be automatically enrolled in a new disability / long term care benefit at a cost of about \$146 per month that will be deducted from employees' paychecks. Employees who do not wish to participate must tell their employer that they wish to opt-out.

In summary, while reform will provide subsidies for some low-income individuals who do not get coverage from their employer, for the vast majority of consumers, reform will result in higher prices for coverage, less consumer choice, and more employers dropping coverage for employees, the opposite of the goals of reform, all while worsening employment challenges in the U.S.