

Senate Finance healthcare bill: Costs may be felt on Main St.

Senate Republicans are trying to count the cost of the healthcare bill's fees and mandates on taxpayers, businesses, and states.

By **Gail Russell Chaddock** | Staff writer/ October 8, 2009 edition

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The Senate Finance Committee's healthcare bill will result in a net surplus of \$81 billion over 10 years, the Congressional Budget Office said Wednesday.

But critics are turning their attention to how much it might cost Americans outside the Beltway.

The heart of healthcare reform is a mandate for individuals – that is, most legal US residents – to obtain health insurance. To do this, the projected cost to the federal government for tax credits and subsidies to expand coverage is \$518 billion over 10 years, including \$416 billion to help moderate-income people buy insurance.

In principle, the expansion of millions of new customers for the insurance industry will bring billions more dollars, making it cost effective to implement reforms, such as an end to discrimination on the basis of preexisting conditions and less of a penalty for age.

But each fix to one part of the system has a consequence in another, for taxpayers, businesses, and states.

Taxpayers

Insurance companies now are charging older people as much as 10 times what they charge younger people for healthcare policies. The Senate Finance bill mandates that discrepancy be no more than 4 to 1.

But critics worry that will pass on costs to young people.

“We think the current version of the SFC will have the unintended consequence of significantly increasing premiums on the individual market, especially for younger and healthier individuals, while having minimal effect on the number of people without insurance,” says Bill Buhr, a stock analyst with Morningstar, in a report yesterday.

The key to making individual mandates work is whether reform generates more affordable policies to buy.

In addition to the carrot of public subsidies for families that can't afford healthcare, there are penalties for those who do not purchase health insurance. They increase from \$200 in 2014 to \$750 in 2017.

In the pre-markup version of the Senate Finance bill, individuals faced criminal penalties and fines of up to \$3,800 for failing to carry health insurance, but the public outcry over the prospect of jail time for people who can't afford the new mandates prompted the panel to adopt lower penalties and phase them in gradually.

Businesses

Another unknown is how \$200 billion in new fees and taxes will affect the businesses required to pay them.

Beginning in 2013, employer-provided insurance policies with relatively high premiums – \$8,000 for single policies and \$21,000 for family policies – will be subject to a 40 percent excise tax.

In addition, the proposed law imposes annual fees on health insurers (\$6.7 billion), pharmaceutical manufacturers (\$2.3 billion), and clinical laboratory services (\$750 million), which are expected to be passed on to consumers.

“Essentially, this is not a spending-control bill, it’s a tax increase,” says Michael Tanner, a health policy analyst with the CATO Institute. “When you look at the out years, the gains are not because they control healthcare spending, it’s because of the dramatic increase in revenues.”

States and local governments

The biggest ticket item for states is expansion in eligibility for Medicaid, a state-administered program that provides healthcare to low-income families.

Starting in 2014, nonelderly people with income below 133 percent of the federal poverty level would be eligible for Medicaid. CBO estimates that will cover an additional 14 million Americans. The Senate Finance plan has the federal government paying about 90 percent of the cost, up from 57 percent under current rules. The additional cost to the states will be about \$33 billion.

The bill also requires states to maintain current coverage levels of children in the Children’s Health Insurance Program (CHIP) through 2019. Cash-strapped governors are lobbying the Congress hard to ensure that those costs are feasible and that Washington will keep up its share of funding for the mandate.

Top Republicans on the Senate Finance panel want Chairman Max Baucus (D) of Montana to require CBO director Douglas Elmendorf and Thomas Barthold, chief of staff of the Joint Committee on Taxation, to be present to answer questions on such issues when the panel meets to vote on final passage of the healthcare bill.

“It would send a signal to the American public that we take our duty seriously to understand how legislation will affect their lives prior to voting on reporting any legislation out of Committee,” said Sens. Charles Grassley (R) of Iowa and Orrin Hatch (R) of Utah in an Oct. 6 letter.

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