



AMERICA'S AFFORDABLE HEALTH CHOICES ACT

QUALITY AFFORDABLE HEALTH CARE

HEALTH REFORM AT A GLANCE: PAYING FOR HEALTH CARE REFORM

The House Committees are committed to enacting health care reform that is fully paid for. The costs of inaction on the budgets of every American, business, and our fiscal future are well known. We are proposing to pay for roughly half of the costs of reforms that will lower those costs by achieving significant efficiencies and savings in Medicare and Medicaid, such as eliminating overpayments that are driving up profits for Medicare Advantage plans. We are proposing to pay for roughly the other half through a surcharge on the wealthiest 1.2% of Americans.

COST SAVINGS

- Roughly half of the cost of the health care reform bill is paid for by achieving significant efficiencies and savings in Medicare and Medicaid – in other words, reallocating U.S. taxpayer dollars already being spent on health care to achieving more efficiency, higher quality, and broader coverage.
- For example, the bill protects the U.S. taxpayer by achieving \$156 billion in savings by eliminating overpayments to private Medicare Advantage plans over 10 years. According to the Medicare Payment Advisory Commission, private Medicare Advantage plans are currently paid, on average, 14 percent more than traditional Medicare providers – and overpayments to certain plans exceed 50 percent.
- The bill also achieves \$102 billion in savings over 10 years by incorporating productivity adjustments into Medicare payment updates for hospitals. This adjustment will encourage greater efficiency in health care provision, while more accurately aligning Medicare payments with hospital costs.
- The bill also achieves about \$110 billion in savings over 10 years by: 1) codifying the recent PhRMA-White House agreement, which provides that Medicare Part D beneficiaries will get a 50 percent reduction in price on any brand-name drugs they need while in the so-called “donut hole” where drug costs are not reimbursed at certain levels; and 2) requiring that drug companies provide rebates for individuals enrolled in both Medicare and Medicaid that are at least as large as the Medicaid rebates that were provided prior to the enactment of Medicare Part D.
- The bill also achieves more than \$100 billion in additional savings over 10 years through numerous other provisions, including incorporating productivity adjustments into Medicare payment updates

for home health agencies; and key delivery system reforms such as incentives to reduce readmissions to hospitals and promoting accountable care organizations.

SURCHARGE ON THE WEALTHIEST 1.2% OF AMERICANS

- The House Committees agree with President Obama that middle-class Americans who are already struggling should not be asked to shoulder higher taxes to help pay for critically-needed health care reform.
- This proposal ensures that middle-class Americans will see no tax increases. Specifically, under the proposal, all families with adjusted gross incomes below \$350,000 and all individuals with adjusted gross incomes below \$280,000 will not see their taxes go up.
- Under this proposal, according to the nonpartisan Joint Committee on Taxation, only the top 1.2% of wealthiest Americans are asked to pay somewhat more to help finance health reform. These top earners received a disproportionate share of the tax cuts over the last decade and also saw a large jump in their income and overall wealth. Indeed, the gap between the income of the top 1% and the rest of us has grown significantly in recent years.
- We are proposing to place a graduated surcharge on the wealthiest Americans. For example, the surcharge would be 1% for families earning between \$350,000 and \$500,000, and 1.5% for those earning between \$500,000 and \$1,000,000. The bill includes a trigger that would result in the surcharge only rising somewhat if projected health care savings are not obtained.
- The surcharge only applies to income earned in excess of \$350,000. If the health reforms included in the bill achieve projected cost savings, families making between \$350,000 and \$1,000,000 will need to contribute less than 1% of their annual income to provide access to affordable health care for all Americans. For example:
 - A family earning \$400,000 would contribute \$500 to provide access to affordable health care for all Americans – 0.13% of their annual income.
 - A family earning \$500,000 would contribute \$1,500 to provide access to affordable health care for all Americans – 0.3% of their annual income.
- Despite opponents' claims to the contrary, according to the nonpartisan Joint Committee on Taxation, 96% of small businesses would see no tax increases under this proposal. Furthermore, all small businesses will greatly benefit from the insurance market reforms in the bill.