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Conservative Concerns to the Democrats' Government Takeover of Health Care (H.R. 3590) and its Alleged Fixes (H.R. 4872)

Washington has recently enacted a radical expansion of federal power and a complete takeover of the health care system in America. This newly signed law rests on four pillars to centralize the system in order to "expand" health care coverage: (1) a new entitlement whereby American families up to 400% of the federal poverty level (FPL) receive a subsidy; (2) the expansion of Medicaid up to 133% of the FPL; (3) a "pay or play" mandate for employers whereby they either offer Washington-approved coverage or face steep penalties; and (4) an individual mandate to force Americans to buy "acceptable" coverage they either do not need or do not want. While overall concerns with this takeover are perhaps too numerous to list, here are just some of the highlights of the key objections that conservatives have expressed about this 2,500-plus page monstrosity:

Raises Taxes and Cuts Medicare: The bill increases taxes by *$569.2 billion* over ten years that will harm small businesses and middle-class families. The bill also includes *$528.5 billion* in cuts to Medicare, cutting benefits and raising premiums on seniors. These cuts are not used to reduce the deficit, or improve the solvency of the Medicare program but instead to create new entitlement programs.

Medicare Tax: The bill increases the Medicare payroll tax by 0.9% on individuals making $200,000 and families making $250,000 *(not indexed to inflation)* **which creates a new marriage penalty and over time will hit more of the middle class.** Furthermore, the bill adds an additional 3.8% tax on net investment income for these same individuals, estates, and trusts (net gain from selling property).

Employer Mandate: The employer mandate imposes a new tax on business, which will destroy current and new jobs during a time when millions of Americans are already unemployed. Employers who do not offer coverage would face a $2,000 fine per employee - if at least one full-time employee is enrolled in an exchange plan *and* receives a premium subsidy. Even if an employer offers coverage, it will have to pay up to $3,000 per employee if the coverage is deemed "unaffordable" by the federal government.

Unfunded State Mandate: Despite an estimated **$80 billion** in taxpayer dollars lost *every year* due to Medicare and Medicaid fraud, the bill drastically expands the currently unsustainable Medicaid program from 100% of FPL to 133%, hurting already thinly stretched state budgets (a $20 billion unfunded mandate).

Costs: The total cost of the bill is more than *$1.33 trillion* (not including the $371 billion "Doc Fix" proposed in the President's budget), when including the CBO estimate of cost to states for mandated Medicaid expansion ($20 billion) and authorized discretionary spending for grants, public programs, changes and funding for a variety of agencies that would be responsible for implementing the bill. The "true cost" of the bill once fully implemented (FY2014-2023) is **over *$2.6 trillion,* not including education spending** according to Senate Budget Committee Republican Staff.

Gimmicks: Even CBO has doubts that the long term cost containment mechanisms will remain intact. Gimmicks include tax-now-spend-later, leaving out the physician SGR "fix", Medicare double-dipping, and the "Ponzi Scheme," a.k.a the long-term care CLASS Act.

Thus, in reality, if you remove the off-budget Social Security Revenues ($29 billion) and the CLASS Act ($70 billion) from the deficit impact, account for CBO's incomplete discretionary spending estimate ($114 billion), and account for Medicare double dipping ($528.5 billion), the overall deficit increase is **$598.5 billion**. Finally, if you add back in the SGR "fix" using the President's figures ($371 billion), the total deficit will increase by a staggering **$969.5 billion**.

Government Takeover: Many conservatives may believe that the bill is a huge step away from personal, private coverage and choice, to a Washington-controlled healthcare system that rations care, limits choice, and reduces quality, innovation, and competition. The bill creates 159 new government agencies to regulate insurance and medical care for Americans.

New Bureaucratic Boards that Cede the definition of Quality and Give More Power to the Federal Government: Maintains provisions such as the comparative effectiveness research board, the Patient Centered Outcomes Research Institute, the Independent Payment Advisory Board (IPAB or "MedPAC on steroids"), and more.

Chock-Full of Special Deals: The bill includes new backroom deals to buy-off the votes of a few members in rural districts, and old favorites such as the "Louisiana Purchase," various provisions still part of the "Cornhusker kickback," carve-outs for unions (including a $27,500 threshold for a union worker before the "Cadillac Tax" hits compared to a $10,200 threshold for non-union workers), DSH Payments for Tennessee, funding for the University of Connecticut, and asbestos money for Montana.

Constitutionality: The U.S. Constitution and the principle of limited government are tested as never before by forcing Americans to purchase "acceptable" health care coverage or face a tax of 2.5% of modified adjusted gross income. The definition provided in the bill for "acceptable" coverage will surely force some Americans to purchase plans that include coverage they cannot afford, or don't want or need.

Illegal Immigrants: The bill fails to adequately address citizen verification for individuals applying for low-income affordability subsidies, enrolling in Medicaid/CHIP, or enrolling in high risk pools.

Funds Abortions: *An Executive Order Can't Change the Law.* The only way to truly prevent taxpayer funding of abortions is to enact a law that prevents taxpayer funding of abortions. The Senate bill does not meet that standard. Executive Orders are created by the President with the stroke of a pen, and they can be rescinded just as easily.

Lack of Medical Liability Reform: Trial lawyers get off scot-free as Democrats pay lip service to real medical malpractice reform, opting to hand over money for lawyer-friendly "alternatives" instead of limiting attorneys' fees or capping damages.

Forces Americans Out of Current Plans: The government-run plan will force tens of millions out of the coverage they currently have. CBO has estimated that 8-9 million people would be dumped from their employer sponsored coverage.

Increases Premiums: The Democrats' health care plan will increase premiums by 10-13%. As JCT, CBO, and six other studies have shown, imposing new taxes on insurance policies, health care products, and various new insurance regulations will drive up the cost of premiums for patients of all ages.

Bends the Curve in the Wrong Direction: CBO estimates that the federal commitment to health care under the Senate bill would increase by $210 billion, while the combined effect of the reconciliation bill and Senate bill would be a staggering $390 billion increase.

For additional information on health care and H.R. 3400, the RSC's patient-centered proposal, please visit: http://rsc.tomprice.house.gov/Solutions/RSCHealthCareDocuments.htm

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