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Health Care Reform's Biggest Winners and Losers

by Matthew J. Clemente

With a complete overhaul of the American health care system being considered by Congress, who will gain the most from reform and who will lose?

BIG WINNERS:

- **The Health Insurance Industry:** In most of the current health care reform proposals, the federal government will mandate and subsidize private health insurance. Such plans will serve insurers as many as 46 million new customers on a silver platter and then also help pick up the bill. Taking into consideration the fact that this past summer President Obama's Council of Economic Advisers reported the average annual premium for individual coverage as \$4,321¹, reform could mean as much as \$200 billion in new premiums per year for the insurance industry. They will also receive \$463 billion² in taxpayer subsidies over the next 10 years under the Baucus proposal.
- **The Pharmaceutical Industry:** While on the campaign trail, President Obama endorsed certain reform efforts that would promote competition among drug companies and lower prescription drug costs for American families. He called for reforms such as allowing the re-importation of drugs, increasing the use of generic drugs, and repealing the ban on direct negotiation of drug prices between Medicare and drug companies to help drive down prices. None of these reforms appear in the Baucus proposal or H.R. 3200. In place of the real change that President Obama promised to bring to the American drug market, the proposals in Congress offer an individual mandate that will require and subsidize the purchase of health insurance. If such subsidized insurance plans include coverage of prescription drug costs, drug sales will skyrocket and the industry will see extraordinary, subsidized profits.
- **AARP:** AARP makes nearly \$700 million per year³ from selling Medicare products. In an attempt to lower the price tag, the Baucus proposal cuts \$117 billion⁴ from the popular Medicare Advantage plan which allows seniors to purchase coverage beyond traditional Medicare. Forcing seniors back into the traditional Medicare program would provide AARP with millions of new customers and a major increase in profits.

BIG LOSERS:

- **Seniors:** \$426 billion (or 47%)⁵ of the total costs of the Baucus plan are supposedly off set by cuts to Medicare coverage. Of that \$426 billion, \$117 billion⁶ will come from cuts in the popular Medicare Advantage plan which offers one out of every five senior citizens more benefits than traditional Medicare. Also, the Baucus plan assumes that Medicare physician payments will be cut by 25% in 2011 and even more in years to come. Such cuts may cause doctors to drop Medicare coverage forcing seniors to change their physicians and cause non-Medicare prices to rise in an attempt to make up the difference.
- **The American Economy:** The federal deficit is projected to be \$1.4 trillion in 2009⁷. Not only is that a trillion dollars higher than in 2008 and the highest percent of GDP--10 percent-- since World War II, it is also the highest the nation's deficit has ever been⁸. And, with unemployment reaching 9.8% in September, a higher percentage of Americans are out of work now than at any other point over the past 26 years. Simply put, now is not the time to spend money that America does not have.

THE BIGGEST LOSER:

- **The American People:**

- **Taxes:** With the price tag for each major reform effort coming in at close to \$1 trillion, someone is going to have to foot the bill. Will it be the insurers and drug companies? Nope. We have already discussed how much money they stand to make as a result of reform. Will it be businesses and corporations? Wrong again. Businesses have always passed expensive tax burdens on to customers and employees in the form of higher prices and lower wages. Will it be the government? The government gets its money from taxes collected from American citizens. The correct answer is the American people will pay for it. The federal government expects to generate revenue from tax increases that include but are not limited to⁹:
 - \$201 billion in taxes levied against health insurance plans
 - \$180 billion in taxes levied against insurers, pharmaceutical companies and the medical device industry which will be passed on to consumers in the form of higher prices
 - \$83 billion in new income taxes which the government predicts will result from more employers offering employees taxable wages rather than non-taxable health insurance
 - \$23 billion in employer penalties which will be paid by employees in the form of lower wages
 - \$4 billion in penalties paid to the IRS by those who do not purchase insurance.
- **Premiums:** Under the Baucus plan, Americans' insurance premiums will rise. In a recent hearing held before the Senate Finance Committee, Congressional Budget Office Director Douglas Elmendorf stated, "Our judgment is that that piece of the legislation would raise insurance premiums."¹⁰ A new study conducted by PricewaterhouseCoopers entitled *Potential Impact of Health Reform on the Cost of Private Health Insurance Coverage* echoes Elmendorf's claim. It asserts that by 2019 the cost of coverage for a single adult will increase by \$1,500 more than it would under the current system¹¹.
- **Mandate:** Most reform proposals include an individual mandate which will make every American purchase health insurance. Citizens will be forced—at times against their will—to buy insurance, not because of something that they have done but simply because they are alive. Non-compliance with this mandate could result in harsh fines which are considered "taxes." Forget to pay such a "tax" and you could be fined an additional \$25,000 and even face up to a year in jail¹².

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10. *Finance*. Web. 21 Oct. 2009. <<http://finance.senate.gov/sitepages/hearings.htm>>.

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