



2010 FEDERAL HEALTH REFORM FINANCING FACT SHEET

President Obama signed comprehensive health reform, the Patient Protection and Affordable Care Act on March 23, and the Health Care and Education Reconciliation Act of 2010, on March 30, 2010.

This fact sheet summarizes the provisions related to financing of the measure.

The Congressional Budget Office estimates the cost of the measure to be \$938 billion over 10 years. These costs are financed through:

- Savings from Medicaid
- Savings from Medicare
- New taxes and fees

Of note, the measure includes an excise tax on annual health premiums for high cost or so-called "Cadillac plans." The excise tax would go into effect in 2018. The tax would apply to plans for individuals above \$10,200 and for families above \$27,500. Employees in high risk occupations (i.e. firefighters or law enforcement) would have higher thresholds - \$11,850 for individuals and \$30,950 for families. The threshold would be increased in 2018 if health insurance premiums grow higher than expected between now and 2091. In addition, employers with a relatively high percentage of older or female employees with above average health costs would be granted higher tax thresholds. The measure exempts dental and vision coverage from the calculation. The excise tax is expected to generate \$32 billion over 10 years.

Other Revenue Generating Provisions

- Individual Mandate: the penalty imposed on individuals for failing to purchase coverage is expected to generate \$17 billion over 10 years.
- Employer Mandate: the assessment on employers is expected to generate \$22 billion over 10 years.
- Medical Device Tax: imposes a 2.3 percent excise tax paid by the first purchaser of a medical device (usually a distributor or hospital). Raises \$20 billion over 10 years beginning in 2013. The excise tax is tax-deductible.
- Tanning Bed Tax: imposes a new 10 percent tax on indoor tanning services effective July 1, 2010. Raises \$2.7 billion over 10 years.

- Managed Care Fee: Creates a new \$8 billion fee on managed care plans starting in 2014. The fee increases each year: \$11.3 billion in 2015-2016, \$13.9 billion in 2017, \$14.3 billion in 2018 and increases in 2019 and beyond will be tied to the rate of premium growth. The fee is based on the plan's net premiums in the preceding calendar year versus aggregate net premiums for all health insurance. Raises \$60.1 billion over 10 years.
- Medicare Tax: Increases the existing 2.9 percent Medicare payroll tax to 3.8 percent for individuals who earn more than \$200,000 and \$250,000 for married couples filing jointly. The new 3.8 percent tax also applies to income from capital gains, interest, dividends, annuities, royalties, and rents. Effective 2013. Generates \$210 billion.
- Retiree Drug Coverage Employer Subsidy: Eliminates the tax deductibility of the current subsidy for employers who provider retirees with prescription drug coverage. Effective 2013. Generates \$4.5 billion.

CBO also estimates that the measures will reduce the federal deficit by \$124 billion over 10 years.