America's Healthy Future Act

The Senate Finance bill is vastly improved over the House bill and the Senate HELP bill, and we thank Chairman Baucus for his extremely collaborative efforts. However, many provisions, particularly the new tax increases, still raise serious concerns. We look forward to continuing to work with the Chairman and other policy makers, hopefully on a bipartisan basis, as this difficult but important process continues to move forward.

There are numerous parts of this legislation that could be very helpful to businesses:

- **New rating rules** that allow one person or small business to pay at most 7.5 times as much in premiums as someone else for the same health insurance plan. Current state laws are either extremely limited (incenting the young and healthy to forego coverage) or extremely loose (burdening the older and sicker). Within 5 years, states would be required to implement the new rules.

- **New cafeteria plan rules** will help many more individuals, small businesses, business owners and the self-employed purchase health insurance with pre-tax dollars. This will finally implement a measure of tax equity between small and large businesses.

- For the first time, individuals will be permitted to purchase **long-term care** insurance with pre-tax dollars. Long-term care is one of the leading causes of medical bankruptcy, and incenting more people to purchase LTC insurance could greatly help to control health care costs.

- The bill creates **national plans** that could be purchased regardless of where one works, lives, or receives medical care. Although these plans would be heavily regulated, they would not be burdened with many of the onerous state mandates that make health insurance unaffordable.

- States would be permitted to create **interstate compacts** that allow the residents of two or more states to purchase health insurance policies from any participating state. This could greatly increase choice and competition among health plans.

- The bill **does not mandate employers** to offer government-approved health plans. Instead, employers are required to make an offer of health insurance to employees, and given the flexibility to choose the benefits and premium contribution that meets their needs.

- **No government-run "public option"** is included; instead, there are non-profit cooperatives that resemble how Blue Cross plans were created.

- The bill takes strides toward **administrative simplification**, streamlines enrollment to help enroll **current Medicaid and SCHIP eligibles**, increases **care coordination** and **value-based purchasing** in public programs, and includes broad new flexibility for the continuing improvement of public programs through the **independent Medicare Commission and the Centers for Medicare and Medicaid Services (CMS) Innovation Center**, which will help control the programs' costs.

- Health insurance **exchanges** give individuals and small businesses a streamlined market place where they can make apples-to-apples comparisons of health plans and choose what best meets their needs.

Other provisions in this legislation could be costly to employers and represent steps in the wrong direction:

- A **vast array of news taxes** on medical devices ($40 billion), clinical labs ($7.5 billion), pharmaceuticals ($23 billion), and insurance policies ($60 billion) will be passed on directly to the purchasers of health insurance, increasing costs for employers and workers, making the costs of health insurance even more unaffordable. This is a massive redistribution of wealth away from those who pay for health insurance.

- Employers who do not offer health insurance coverage or whose insurance is deemed "unaffordable" will be required to **subsidize the costs incurred by employees who receive tax credits** through exchanges. Individuals who receive credits should not represent burdens on employers; this will encourage businesses not to hire low-wage workers. The bill also orders a **study aimed at increasing these fines** by lowering the affordability threshold. Employers are also **required to auto-enroll employees** into health plans, which could create liability and cost problems.

- A new **tax on benefits** ($215 billion), assessed on insurers and self-insured employers if the value of the plan (including major medical, tax-free accounts, vision, dental, and other supplementary health coverage) exceeds $8,000 for an individual or $21,000 for a family policy. This excise tax would be linked to the Consumer Price Index (CPI), even though the costs of health care rise much faster than CPI, meaning that over time it could massively expand just as the Alternative Minimum Tax did.

- A **massive new entitlement** in the form of health insurance credits ($463 billion in the first ten years) for those making up to 400 percent of the federal poverty level will forever plague the federal budget.

- The bill contains **no meaningful medical liability (tort) reform** provisions, just a meek "sense of the Senate" urging states to consider reforms.

- **Onerous new reporting requirements** and taxes on small businesses corporate information disclosure ($17 billion), as well as intrusive demands that employers list benefit costs on W-2s, are inappropriate and could raise costs.

- The bill **cracks down on HSAs and FSAs**, limiting what can be purchased (no over-the-counter medicine without a prescription) and lowering the cap on how much money can be set aside pre-tax. Money taken out of an HSA for unapproved expenses would now be taxed at 20 percent rather than 10.

- Employers who offer **retiree health prescription drug plans will be taxed more**. This will lead to fewer companies offering Part D prescription drug plans.

- Provisions aimed at providing **tax credits to small businesses will be largely ineffective** and reach few small businesses.

- Most enrollees in Medicaid or SCHIP are **not allowed to use allotted funds to buy private or employer-sponsored health insurance**, but are instead stuck in government-run health care.