



## Constituent Resource Packet Health Care Town Hall Meeting August 26, 2009

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# **FREQUENTLY ASKED QUESTIONS ABOUT H.R. 3200**

## **1. What is H.R. 3200?**

H.R. 3200 is the 1,017-page health care reform bill that was introduced in the House of Representatives on July 14, 2009 by the three Democrat House chairmen that have committee jurisdiction on health care and supported by Speaker Nancy Pelosi. The bill can be found on my website at: [www.kevinmccarthy.house.gov](http://www.kevinmccarthy.house.gov). Generally speaking, it would:

- Create new national standards on what kind of health care can be offered in America (pg. 17, 72, 84)
- Create a new Health Insurance Exchange where individuals could purchase health insurance that meets Federal guidelines, including a government-run health plan initially paid for by taxpayers, and receive taxpayer-funded subsidies to help offset premiums (pg. 72)
- Establish new Federal health insurance mandates on individuals and businesses (pg. 167, 183)
- Establish new Federal taxes to enforce the insurance mandates through penalties (pg. 167, 183)
- Establish new Federal surcharge taxes on certain Americans (pg. 149, 167, 183, 197, 828)
- Reduce payments on certain Medicare benefits by about \$465 billion and increase payments on other Medicare benefits by about \$245 billion, leaving a net cut in Medicare payments for benefits of \$219 billion (pg. 331)
- Create a new Center for Comparative Effectiveness Research and a new Comparative Effectiveness Research Commission, paid for by the Medicare trust funds and by assessing a new annual tax on every individual that has a health insurance plan, to study and make recommendations on which treatments it believes improve quality and value over other treatments doctors might individually prescribe for a patient (pg. 502, 505)
- Expand Medicaid, and move children in the Children's Health Insurance Program (CHIP) to the new Health Insurance Exchange (pg. 102, 201)
- Add more Federal spending on health care workforce programs (pg. 898)

## **2. What is a "public plan" and why are some opposed to it, calling it a government takeover of health care?**

H.R. 3200 envisions creating a Health Insurance Exchange where most health plans would be offered. Health plans currently operating today would not be able to sell health insurance unless it conformed with new national standards on coverage and eligibility. The bill would also create a new government-backed health insurance option that many refer to as the "public plan" as one of the offerings in the Exchange. The public plan would initially be financed by Federal taxpayers (\$2 billion in spending) and pay for services based on the Medicare payment schedules. It is unclear what the premiums under this plan would be.

The public plan - through its initial government financing support, the fact that the Federal government can rewrite national standards, and the high probability that it will be guaranteed by the Federal government (much like other government programs in other industries, like Fannie Mae and Freddie Mac) - could eventually drive out other private insurance plans. This would reduce choices that Americans and businesses offering health care currently have, and could lead to the public plan being a national HMO, deciding which treatments it will cover and pay for. In addition, because the structure of the public plan is not competitive, there are concerns that the public plan will end up costing much more than estimated, leaving taxpayers having to pay for it. When a similar government-run health plan was first created (Medicare in 1965), government actuaries estimated that it would cost \$3 billion in 1966 and \$12 billion in 1990. In 1990, the actual cost of Medicare was \$112 billion, and is approaching \$500 billion this year.

## **3. I have heard different estimates on how much it will cost. How much will this bill cost Americans?**

It is unclear whether Americans will see their premiums go up or down if this bill were enacted, depending on what insurance they currently have and what their income is. Because of the new national standards on what kind of health care insurance can be offered, it is assumed that there will be increases in premiums. However, the bill does create taxpayer-financed subsidies to help offset premiums offered in the Health Insurance Exchange and the public plan.

However, it is clear, from the Congressional Budget Office, how much the bill would cost the American taxpayer. The massive overhaul of our health care system, through regulating what kind of health care can be offered and in the new Health Care Exchange, as well as the expansions to Medicaid and other government programs, are estimated to cost \$1.034 trillion for the first 7 years of the program. The bill would increase taxes directly by \$587 billion over the next 10 years, cut Medicare payments on certain benefits by \$465 billion, increase Medicare payments on other benefits by \$245

billion, for a net cost of \$239 billion over the next 10 years that would be added to the public debt for our generation and our country's next generations.

The Obama Administration recently corrected their estimate of Federal budget deficits over the next 10 years; we will no longer be \$7 trillion in deficit, but \$9 trillion. This \$9 trillion in estimated deficits beginning in 2009 will almost double the cumulative debt (\$10.17 trillion) since America became a republic 233 years ago.

#### **4. Are taxpayer-funded abortions prohibited in the public plan or under health plans in the Exchange?**

No. Taxpayer-funded abortions are not prohibited in the bill. A bipartisan amendment was crafted to explicitly prohibit taxpayer funds from paying for abortions. That amendment failed, 27-31, where all 31 votes came from Democrats on the committee.

#### **5. Are there "death panels" in H.R. 3200?**

In the 1,017 page bill, there is no mention of "death panels." However, some have questioned the appropriateness of a new Medicare benefit, costing \$2.7 billion over 10 years, included in H.R. 3200, which would pay for end-of-life counseling sessions every five years, and whether seniors would be steered or influenced in these sessions toward euthanasia. Those questions lead to even more questions in light of the new Center for Comparative Effectiveness Research, which could make treatment recommendations on whether a treatment has value to certain patients. Finally, questions magnify after reports that the Veterans Administration, which administers a government-run health program, developed a planning tool called "Your Life, Your Choices" with a worksheet on "what makes your life worth living."

#### **6. How many people are actually uninsured?**

The Census Bureau's most recent information (from 2007) reports that there are about 46 million Americans who are uninsured. However, the Census data and other public sources of information break down the subgroups of people who are uninsured – which is attached in this packet – and the uninsured number includes illegal aliens, people who are eligible for Medi-Cal and CHIP but have not enrolled, age demographics, and income demographics. Understanding who makes up the uninsured can lead to smarter decisions on how best to reduce the number of uninsured Americans.

#### **7. I am insured, and like the health care my family and I receive. There have been different estimates on how many people would be forced off of their current coverage. Will H.R. 3200 force people off the coverage they currently receive and enjoy?**

Because the new Health Insurance Exchange will create new national standards on health insurance, along with taxpayer-financed subsidies to purchase health insurance in the Exchange from the public plan or other health plans, there will be some changes depending on whether you purchase your health insurance on the private market, or if you purchase health care through your employer.

For individuals on the private market, H.R. 3200 explicitly limits issuing any new individual policies after 2013, and allows you to keep your individual health insurance so long as that policy never changes (no benefit or copayment changes). Given that most insurance policies make changes over time, once a change is made, that health insurance plan can no longer be offered directly to you, and you must purchase your health insurance from the Exchange, or face a penalty tax on your income.

If you purchase health care from your employer, H.R. 3200 requires employer health plans to conform to the national standards of health insurance and also pay the premiums of an employee equal to at least 72.5% of the benchmark premium in the Exchange (65% for family coverage). If employers don't do both, they would be assessed a penalty tax of up to 8% of the company's wages.

The Congressional Budget Office has estimated that 12 million people would end up losing their employer coverage and receiving their health care through the Exchange. Other groups, like the Lewin Group, estimates that more employers will opt to drop employer coverage and have their employees participate through the exchange – affecting as many as 83 million to 114 million people.

#### **8. Are estimates, especially from the Lewin Group, really impartial?**

I believe all estimates should be considered. Some have questioned whether the Lewin Group is impartial because their parent company is UnitedHealth, a major health insurer. The Lewin Group has stated that its research is unbiased and grounded on sound principles, and has also demonstrated that it has been used to research and issue reports for different government agencies, during both the Bush Administration and the Clinton Administration.

**9. Why do you oppose government health care when you get government health care? Why can't Americans get the same health insurance that you and other Congressmen and Senators get?**

A government health program is different than a government-run health plan. As health insurance is a standard workplace fringe benefit that is offered along with wages, the Federal government established the Federal Employees Health Benefits Program (FEHBP) to provide health insurance to Federal employees (which includes the President, Members of Congress, and Senators). FEHBP is voluntary to federal employees – they are not forced to participate. FEHBP does not actually run a health care program (like the Department of HHS does with Medicare) – instead, it receives bids from private health plans and makes the information available to Federal employees to annually elect which health plan they would like. Similar to most employer-sponsored health coverage, where the employer on average pays for 80% of the employee's health premium, the Federal government pays 72% of the employee's premium. FEHBP has been successful in providing Federal employees with affordable choices to receive their health care by offering many private health plans (in our region, there are at least 17 different plans to choose from) for Federal employees.

I believe that Americans should have access to affordable health care choices, and rather than create a government-run public plan that could limit treatments and choices, we should instead debate plans that allow Americans to purchase health care more affordably (across states lines, through FEHBP, or through new group arrangements).

**10. If Congress and the President believe that this public plan is so good, do you support making sure that they are forced to receive the public plan as their health insurance?**

Yes. If legislators believe the public plan is such an improvement, they should forgo their health care choices within FEHBP and get the public plan for themselves and their families. In fact, I have cosponsored a resolution that states this (H. Res. 615).

**11. If you are opposed to H.R. 3200, what do you suggest to help Americans with health care?**

The fact of the matter is that in House proceedings, the Democratic majority have not allowed full debate on this important issue. When the only debate is on H.R. 3200 and the public plan it would create and spend taxpayer money on, other good ideas aren't debated that could help reduce costs, such as health care liability reform to cut down on over-testing because providers are afraid of being sued in a frivolous manner. Or requiring insurers to no longer exclude certain Americans from purchasing health insurance because of pre-existing conditions. Or allowing small businesses to band together to form a larger group with more purchasing power, similar to the purchasing power large corporations have. I have included different solutions that I have received from constituents, as well as solutions I have been studying, as part of your packet. These solutions don't rely on a government takeover of health care or large Medicare payment cuts, so I would appreciate hearing what you think about some of these solutions.

**12. I heard illegal aliens could be covered under H.R. 3200. Is this true?**

Yes, because there are no meaningful protections to prevent illegal aliens to access health care benefits. Many, including myself, are concerned that the bill has no enforcement mechanisms to verify whether a person is an illegal alien and thus ineligible for taxpayer-funded assistance. In fact, illegal aliens are currently ineligible for Medicaid benefits, but Medicaid benefits still pay for the health care of illegal aliens because there is no rigorous verification. Amendments to H.R. 3200 were offered to require verification of citizenship, but those amendments were defeated by Democratic votes.

**13. Does the bill really cut \$500 billion in Medicare?**

Yes. Payments for certain Medicare benefits under H.R. 3200 would be cut by almost \$500 billion over the next 10 years. This includes payment cuts to hospitals providing inpatient care, home health, nursing homes, and to the Medicare Advantage program, which serves 1 out of every 4 seniors in our congressional district.

However, there are almost \$245 billion in payment increases for certain Medicare benefits (mainly services provided by doctors) in H.R. 3200. The Congressional Budget Office estimates that after adding the payment cuts with the payment increases, the net cut in Medicare is \$219 billion.

Locally, hospitals in our 22<sup>nd</sup> Congressional District could face cuts in Medicare payments of \$318.6 million (Source: American Hospital Association), while local nursing homes could face \$81.9 million in Medicare payment cuts (Source: American Health Care Association). Finally, 30,460 seniors that live in our congressional district and elected to receive their Medicare benefits through a Medicare health plans could see their benefits affected due to cuts in the Medicare Advantage program.

# ESTIMATED STATUS OF INSURED AND UNINSURED INDIVIDUALS IN THE UNITED STATES

- Health insurance generally:
  - There are 299.1 million Americans
  - 253.4 million Americans have health insurance
  - 45.7 million Americans do not have health insurance
- Of the 253 million Americans with health insurance:
  - 201.9 million Americans have private health insurance
  - 83.1 million Americans have government insurance (i.e. Medicare, Medicaid, SCHIP, Veterans Affairs, and TRICARE)
- Of the 202 million Americans with private health insurance:
  - 177.3 million Americans get it through employer-sponsored coverage
  - 26.6 million Americans directly purchase it
- Of the 46 million Americans that purportedly don't have health insurance:

## Statistics Based on Age

- 8.1 million: Under 18 years old
- 18.2 million: 18-34 years old
- 7.7 million: 35-44 years old
- 10.8 million: 45-65 years old

## Statistics Based on Income

- 13.5 million: Make less than \$25,000
- 14.5 million: Make between \$25,000 and \$50,000
- 8.5 million: Make between \$50,000 and \$75,000
- 9.1 million: Make over \$75,000

## Statistics Based on Citizenship

- 33.3 million: Native born
- 12.4 million: Foreign born (2.6M naturalized, 9.7M legal non-citizen)
- 7.5 million: Illegal aliens

## Statistics Based on Eligibility for Existing Government Programs

- 34 million: Not eligible for Medicaid or SCHIP
- 11 million: Children and adults eligible for Medicaid or SCHIP

Sources: United States Census Bureau, Health Affairs, Kaiser Commission on Medicaid and the Uninsured

# Projected Deficit Spending and National Debt

	In Billions of Dollars											Total,	Total,
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2010-2014	2010-2019
Total Deficit or Surplus	-1,587	-1,381	-921	-590	-538	-558	-558	-620	-626	-622	-722	-3,988	-7,137
Debt Held by the Public at the End of the Year	7,612	8,868	9,782	10,382	10,870	11,439	11,986	12,581	13,174	13,611	14,324	n.a.	n.a.
Gross Domestic Product	14,140	14,439	14,993	15,754	16,598	17,319	18,019	18,760	19,524	20,308	21,114	79,103	176,828

As a Percentage of Gross Domestic Product													
Total Deficit	-11.2	-9.6	-6.1	-3.7	-3.2	-3.2	-3.1	-3.3	-3.2	-3.1	-3.4	-5	-4
Debt Held by the Public at the End of the Year	53.8	61.4	65.2	65.9	65.5	66	66.5	67.1	67.5	67	67.8	n.a.	n.a.

Source: Congressional Budget Office, "The Budget and Economic Outlook: An Update" (August 2009)

