

## Breaking Down the Affordable Care Act

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### **As seen in the May 21st issue of *The State Journal*.**

In March, Congress passed comprehensive health care reform: "The Patient Protection and Affordable Care Act."

Here is the essence of the Act.

The Act has three fundamental goals:

1. To decrease the cost of health care in the United States.
2. To improve the quality of health care in the United States.
3. To make health care more accessible in the United States, particularly to the uninsured.

A fundamental provision of the Act, which is aimed at both decreasing cost and improving accessibility, is to require every person in the United States to have health insurance. The logic is that, if every person has health insurance:

1. The cost of health care will do down because health care providers will no longer be required to bear the cost of providing care to the uninsured.
2. Health care will be more accessible because individuals will no longer be denied care based on their inability to pay.

The Act will not cause every person in the United States to have health insurance. However, it cause an additional 32 million individuals to have health insurance through a variety of mechanisms including:

1. A requirement that individuals buy health insurance or pay fines, with certain exceptions for low-income individuals.
2. The establishment of federal subsidies to help individuals buy health insurance.
3. A requirement that companies with 50 or more employees pay a fine if any of their full-time workers receive federal subsidies to buy health insurance.
4. The establishment of tax credits for small businesses to help provide health insurance to employees.
5. The establishment of state-based health care exchanges to create a marketplace for the uninsured and small businesses to comparison shop for health insurance.
6. An expansion of Medicaid to cover more individuals.
7. A requirement that insurance companies provide coverage to dependent children up to the age of 26.
8. Prohibitions against insurance companies denying coverage based on an individual's pre-existing condition.
9. A prohibition against insurance companies placing a lifetime limit on coverage.

10. A prohibition against insurance companies rescinding coverage except for fraud.

The Act also has a variety of provisions aimed at encouraging preventive care, encouraging primary care, and discouraging activities that lead to disease. For example, the Act:

1. Requires health insurance companies to cover immunizations for children and cancer screenings for women.
2. Requires Medicare to pay primary care physicians and general surgeons in areas that lack primary care physicians a 10% bonus payment.
3. Establishes programs to support pregnant and parenting teens and women.
4. Imposes a 10% tax on indoor tanning services.
5. Requires chain restaurants and food sold from vending machines to disclose the nutritional content of each item.

While the Act's fundamental goals are to decrease cost, increase quality, and improve accessibility, the Act has a fourth major focus: how to pay for health insurance coverage for an additional 32 million individuals.

In addition to requiring individuals to buy health insurance and fining companies if their full-time workers receive federal health care subsidies, the Act imposes:

1. Additional taxes on single people earning more than \$200,000 per year and couples earning more than \$250,000 per year.
2. Billions of dollars of annual fees on health insurance companies and pharmaceutical manufacturers.
3. A 40% excise tax on "Cadillac" health care plans.

The Act has created more than its share of fears.

One fear is that the Act, with its provision of health insurance to an additional 32 million individuals, will cause health care costs to go up, not down. The fear is that there is a pent-up demand for health care services among the uninsured and that, once 32 million additional individuals have health insurance, there will be an enormous increase in health care utilization.

Another fear is that some employers simply cannot afford to provide health insurance to their employees.

Finally, 20 states have filed lawsuits challenging the constitutionality of the Act. Their argument is that there is nothing in the United States Constitution that permits the federal government to require every individual to buy health insurance. They recognize that, as a condition to driving an automobile, it is permissible to require an individual to buy automobile insurance. However, in their view, it is not permissible to require every individual to buy health insurance as a condition to merely existing.

The provisions of the Act, by their terms, will be implemented in phases over a number of years. Stay tuned.