



Myth and Fact: White House Misinformation on Health Care Bill

The White House has posted a document on their web site about the “President’s Proposal” for health reform – which is, in actuality, a proposal for the House to pass the same bill that the Senate passed on Christmas Eve, and then for the Senate to pass a “fixer” bill using the nuclear option, budget reconciliation, with 51 votes. The White House document, entitled “The Truth About Health Reform,” made a number of claims about this proposal, many of which are questionable at best. Below is an analysis by the U.S. Chamber of Commerce of the veracity of this document.

White House Claim: *“If you have health insurance through your employer and like your plan, you can keep it.”*

Fact Check: **False.**

Explanation: This was debatably true in the Senate bill, but the President’s own proposal document (<http://www.whitehouse.gov/sites/default/files/summary-presidents-proposal.pdf>) lays out on page 3 why this is false in the section labeled “Extend Consumer Protections against Health Insurer Practices.” The proposal would effectively end the ability to “grandfather” plans and keep them in operation after the bill is enacted, instead forcing an exhaustive and onerous list of new mandates on all plans, including employer and “grandfathered” plans. These include forcing all plans to cover “children” up to the age of 26, prohibiting rescissions (withdrawing coverage when customers mislead an insurer on their enrollment forms), mandating a new appeals process, mandatory state and federal annual rate reviews, banning annual and lifetime limits, banning all pre-existing condition exclusions, banning plan differences for highly compensated employees, and forcing all plans to cover government-designated preventative services with no cost-sharing. While most group health plans do not practice rescissions or have preexisting condition exclusions, the new government mandates will lead to reduced plan flexibility and higher costs. All of these policies will increase the costs of a plan, and while some of these changes may have merit, it is undeniable that forcing these changes will cause many plans to change, and some to cease operation.

White House Claim: *“If you're a small business owner, you'll receive new tax credits that make it easier for you to provide coverage for employees if you choose to do so.”*

Fact Check: **False.**

Explanation: Senate bill H.R. 3590 included a credit that would cover 50% of premiums for a business with 10 or fewer employees with average wages of \$20,000, if that business provided highly comprehensive health benefits and if the business paid the vast majority of every employee’s premium. This credit phases out at a maximum of 25 employees and \$40,000 annual compensation for employees. The credit is available for a few years, and then ends abruptly, with no transition period. This credit is highly unworkable for two reasons – first, its short and abrupt nature will dissuade employers from using it due to concern about a large spike in out-of-pocket expenses the day that the credit suddenly ends a few years later. Second is its extremely limited nature – according to the U.S. Census Bureau, the average firm with 10 or fewer employees has an average wage of \$27,000, meaning the vast majority of small businesses will not even be eligible for half of the credit.

White House Claim: *“If you have Medicare, the President's plan guarantees that your benefits will not be cut, and the Medicare Trust Fund will be extended for more than 9 years.”*

Fact Check: **False.**

Explanation: Both of these claims are demonstrably false. First, proponents of the bill claim that it will extend the Medicare Trust Fund – but the Congressional Budget Office (CBO) has admitted that this is highly unlikely and the discrepancy is due to a number of arcane rules CBO was forced to follow in developing the legislation’s cost estimate. This includes double-counting the \$500 billion in Medicare cuts, as if the money saved by those cuts could simultaneously be reinvested in the Trust Fund and used to fund a new \$500 billion entitlement for families making up to \$88,000 a year. It also assumes that the Sustainable Growth Rate (SGR) formula will operate without interference, thus allowing, starting this year, an across-the-board 23% pay cut to Medicare providers. In their letter to Leader Reid on November 18th of 2009, the CBO expressed doubt that the Medicare provisions would really be enacted – especially a new global budgeting entity that would be charged with annually containing the costs of Medicare in the out years – an impossible task for a commission that cannot make systemic changes to the program, in essence forcing them to ratchet down provider reimbursement or ration care. The claim that benefits will not be cut is countered by an analysis by the Chief Actuary at the Center for Medicare and Medicaid Services, who said in an analysis released December 10, 2009, that “20 percent of Part A providers would become unprofitable” and stop seeing Medicare patients. It is semantics to pretend that losing access to 20 percent of current providers would not result in service and benefit interruptions for Medicare enrollees.

White House Claim: *“If you're uninsured, you could receive a tax credit to help pay for coverage if needed — part of the largest middle class tax cut for health care in history.”*

Fact Check: **False.**

Explanation: While the uninsured may be eligible for subsidies under the plan, this is in no way a tax cut. In all, the bill contains about \$500,000,000,000.00 in new taxes. Money will be taxed from some people, and then given to others, or given back to the taxpayer. In fact, those same Americans will be facing one of the largest tax increases in history. According to Doug Elmendorf, Director of the CBO, in his testimony before a Senate committee, taxes on health insurance policies, prescription drugs, and medical devices, will all be passed on directly to consumers. Taxes on “Cadillac” high-value health insurance plans will result in benefit cuts or reduced wages. Small business owners who file taxes as individuals will pay massive new “Medicare” payroll and investment surtaxes. Worse, these taxes will rapidly expand like the Alternative Minimum Tax, because they are not properly indexed to inflation – the surtaxes are not indexed whatsoever. Small businesses will be burdened with a new paperwork tax. In addition, consumers will pay higher health care costs because of reduced government payments to providers – a practice called “cost-shifting” where, without overtly raising taxes, the government transfers costs to the private sector. All of this will result in a large series of “hidden taxes” that may not be direct income taxes, but will all result in higher costs – and less money in the pockets – of small businesses and middle class Americans. Calling this bill a tax cut is highly misleading.

White House Claim: *“Even if you currently have health insurance, there will be new protections from insurance company abuses, and tax credits will make coverage more affordable.”*

Fact Check: **False.**

Explanation: While for a small minority of people, who buy insurance individually, there may be some benefits from insurance market reforms, the vast majority of Americans receive health benefits through their employers, and the majority of them are beneficiaries of self-insured ERISA plans. These people will see no change in the new so-called “protections” other than higher costs resulting from a loss of plan flexibility and onerous new requirements and mandates on health insurance providers. Further, the President and White House staff have independently admitted that for many Americans, health insurance will become more expensive, but claimed that this is acceptable because

Americans would be required to purchase more comprehensive plans. While the merit of forcing more comprehensive plans can be debated (the U.S. Chamber of Commerce supports allowing individuals to purchase high-deductible and more basic, affordable plans), the Administration has already conceded that health insurance will be more expensive for many Americans.

White House Claim: *“You will never again be hit with arbitrary health insurance premium hikes.”*

Fact Check: **False.**

Explanation: Proponents continue to vilify health insurance providers in an effort to distract from the public’s concerns about the proposal. While the health insurance industry has made an easy target, the allegation that they arbitrarily raise rates has been thoroughly discredited. In fact, the health insurance industry makes only a 2.2 percent profit, compared to 19.4 for the internet services industry and 20.4 percent for the communications equipment industry, among others. Overall, the primary drivers of health insurance cost increases are increases in the costs of health care services, products, and pharmaceuticals. The Administration chooses to overlook the fact that many insurers are currently being forced to increase their rates to build up cash reserves in anticipation of heavy losses if the President’s proposal is enacted. By enacting guaranteed issue and community rating, with an ineffective individual mandate, the plan will cause a death-spiral for health insurance pools when healthy people opt out and sick people opt in.

White House Claim: *“If We Do Not Pass [the Senate Bill]... Up to 17 million more people will be uninsured by 2019.”*

Fact Check: **Misleading.**

Explanation: The Senate bill and President’s proposal delay the enactment of their primary coverage provisions for four years – this was done in an effort to lower the visible costs of the legislation by gaming the CBO score with budget gimmicks and moving four years of spending beyond the 10-year budget window the CBO uses to estimate scores. Now, the Administration has also continued to claim that every day we do not act, 14,000 people lose their health insurance. In other words, the Senate bill’s budget gimmicks will cause 14,000 people, times 365 days, times 4 years, so 20,440,000 people to lose their health insurance. Further, in a letter from the CBO to Senator Reid on November 30th, 2009, they found that even after enactment of the Senate bill and spending almost \$1 trillion over ten years, 24 million people would still be uninsured in 2019. The Chamber’s calculations, based on Census Bureau data, found that of the 46 million people the Administration claimed were uninsured last year, more than 10 million were undocumented or illegal, 11 million were already eligible for free or subsidized health insurance, 15 million were in income brackets such that they could likely afford reform, and only around 10 million were chronically uninsured not necessarily by choice. All of this adds up to point to a very confusing picture of tens of millions with no coverage without the bill, yet tens of millions with no coverage if the bill is enacted. Claiming that the bill will somehow save 17 million people from being uninsured in 2019 is misleading at best.

White House Claim: *“If We Do Not Pass [The Senate Bill]... The average family's health care costs will nearly double by 2020, from \$13,000 to \$24,000.”*

Fact Check: **False.**

Explanation: In the November 30th, 2009 analysis of the Senate bill, the CBO wrote that: “Average premiums per policy in the nongroup market in 2016 would be roughly \$5,800 for single policies and \$15,200 for family policies under the proposal, compared with roughly \$5,500 for single policies and \$13,100 for family policies under current law... [an increase] of 10 percent to 13 percent in the average premium per person.” In other words, health insurance will cost more if the President’s proposal (the Senate bill) is enacted, not less.