



Paying for Health Reform

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Why Financing Is Important

- **Expanding coverage is expensive**
 - ◎ Medicaid expansion & subsidized private/public coverage
- **Financing dictates coverage gains**
 - ◎ Less money = smaller subsidies
- **Non-financing issues may depend on coverage gains**
- **President Obama is asking for a deficit-neutral bill**





Shared Responsibility for Financing Reform

- Federal funding is central to expansion
 - ◎ Revenues & cost savings are key
- Employer & employee participation
- States have an important role
- Providers & insurance companies have been at the table





Federal Budget Issues Are Central to Financing Discussion

- **Directly raising revenues**
 - ⊙ Options inside & outside the healthcare system
 - ⊙ Revenue raising can be controversial
- **Reducing federal spending on current programs**
 - ⊙ Spending cuts not always popular
- **Scoring revenues and savings are not easy**
 - ⊙ Some policy changes do not count





Many Options to Raise Revenue

- **Eliminate or cap income tax exemption for employer-sponsored coverage**
 - ⦿ Largest income tax exemption: \$246 billion in 2007
- **Surtax on highest income earners (House)**
 - ⦿ Would raise \$81 B by 2019 (\$544 billion from 2010-2019)
- **Excise tax on high-cost plans (Senate)**
 - ⦿ Could raise \$90-180 billion over 10 years





Revenue Options Continued

- **Limit value of itemized deductions for top two tax brackets (President Obama)**
 - ⦿ Could generate \$230 billion over 10 years
- **Taxes on soda, junk food, and/or alcohol**
 - ⦿ Revenue depends on proposals
- **Other smaller revenue raising options**





Issues Inherent in New Revenues

- **Revenue stability**

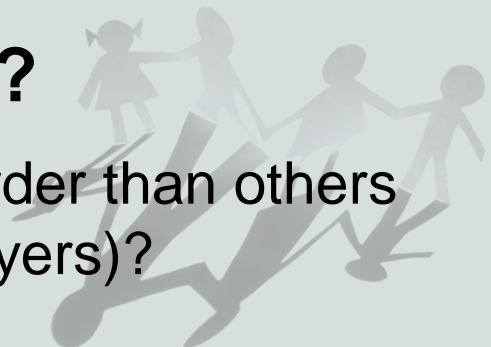
- ⊙ Health inflation grows faster than economy; new revenues must keep up with health spending.

- **Equality of new revenue**

- ⊙ Do new sources come down harder on those unable to afford new costs?

- **Is impact spread across players?**

- ⊙ Does new revenue hit certain groups harder than others (such as providers, individuals, or employers)?



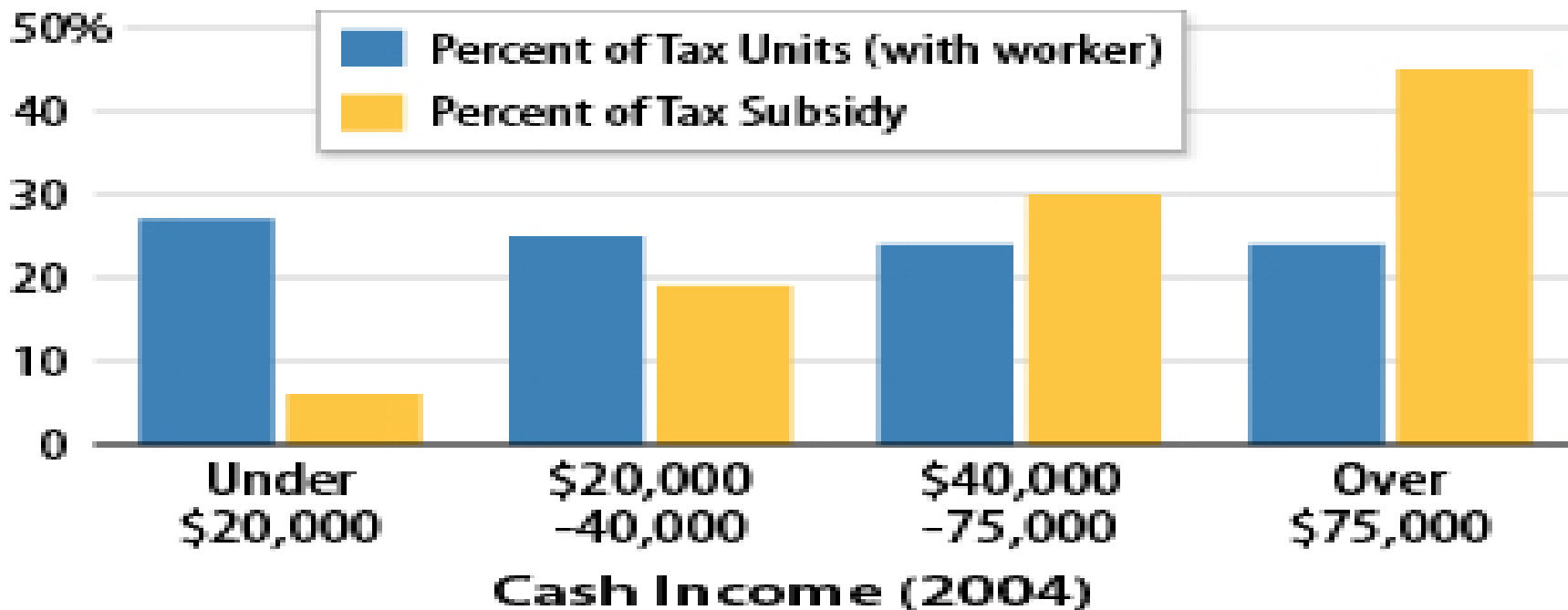


Who Benefits From ESI Exemption?

Table Source: CBPP

Figure 1:

Tax Break for Employer-Sponsored Insurance Not Focused on Those Who Most Need Help

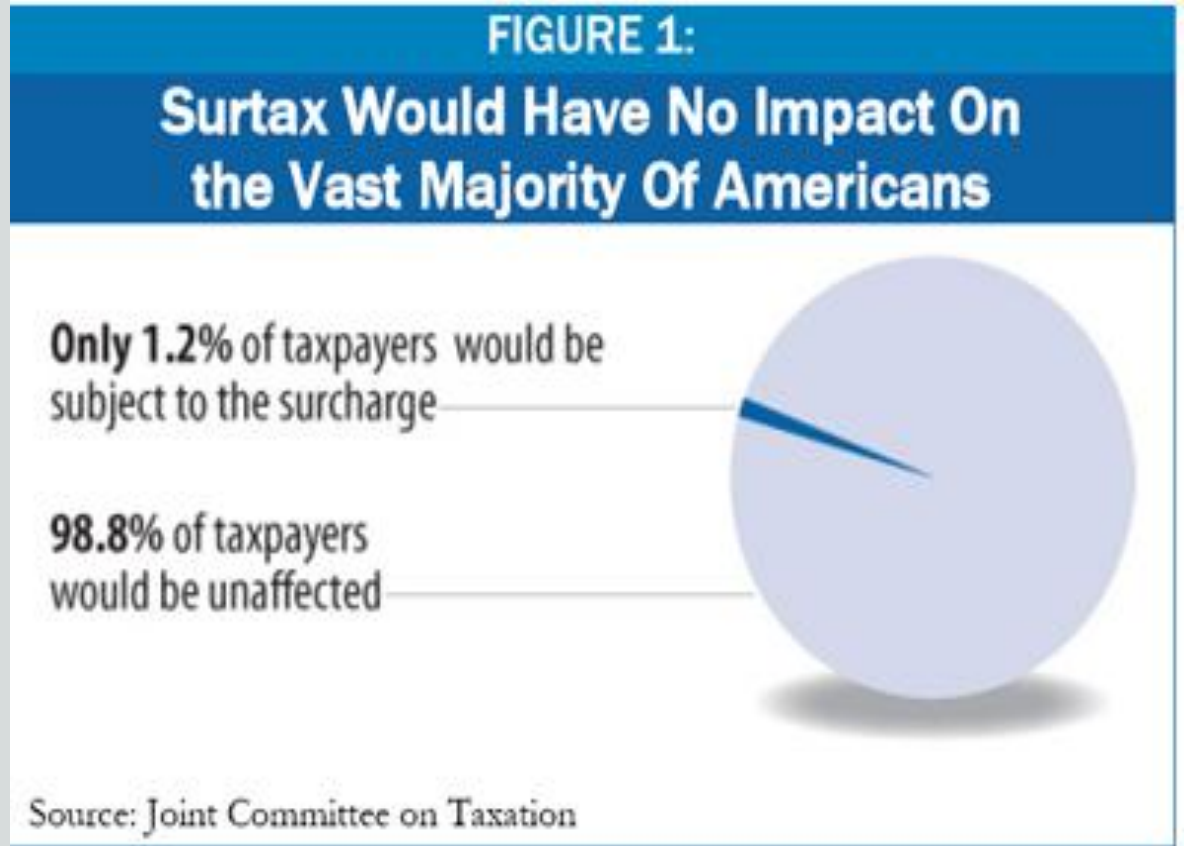


Source: Burman, Garrett, and Khitatrakun, table 3-2.



Surtax Affects Small Portion of Families

- Applies only to very high income earners
- Minimal impact on small businesses
 - ◎ 96% would be unaffected

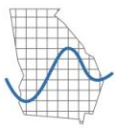




Cost Savings Help Reduce Need for New Revenues

- **Reducing overpayments to insurance companies operating Medicare HMOs**
- **Providers have negotiated savings**
 - ◎ Rx savings helps fill Medicare donut hole
 - ◎ Reduced payments to hospitals for uncompensated care
- **Comparative effectiveness & health status improvements may reduce long-term costs**
 - ◎ Difficult to estimate & quantify





Employers and Employees Have Funding Role

- **Mandated employer participation**

- ◎ Must offer & share in costs of coverage or pay fee to govt.
- ◎ Senate compromise proposal is flawed

- **Employees and individuals**

- ◎ Individual mandate will require more people to get insurance, participate via premiums





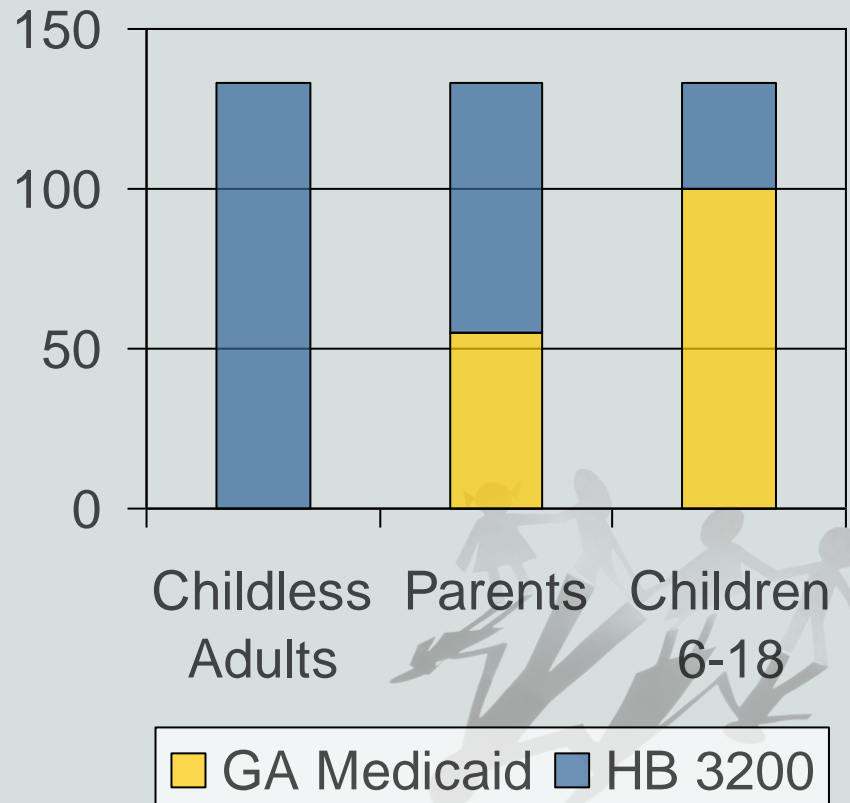
Georgia Has a Role in Financing

- **States will implement Medicaid expansions**
 - ◎ Federal funds will cover vast majority of costs

- **Current populations funded as normal**
 - ◎ 65% federal funds
 - ◎ “Woodwork effect” could increase state costs

GA Medicaid After Expansion

(income as % of poverty)





Contact Info

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Aug. 28 - Greenville
Sept. 18 - Hilton
Sept. 11 - Waycross
Sept. 17 - Marietta
Oct. 9 - Macon
Oct. 23 - Americus
Oct. 23 - Augusta
 - Recent Reports:**
 - Georgia Minimum Wage Policy Brief (Update)** — An increase in the Georgia minimum wage to \$8.00 per hour in July 2009 would benefit hundreds of thousands of workers and their children. (08/13/2008)
 - Deciphering the Tax Rankings (Update)** — This report puts in context recently published tax rankings as calculated by the Tax Foundation. (08/12/2008)
 - Deficit Reduction Step Two: Bringing Other Voices Into the Planning Process** — This report provides a more detailed look at what six, eight and ten percent cuts will look like for state agencies and calls for a balanced approach to deficit reduction — an approach that prioritizes cuts and includes revenue enhancements. (8/11/2008) (Press Release)

