

Health Care Reform Financing: House Surcharge Talking Points

Approximately half the cost of health care reform will come from cost control mechanisms, e.g., the public health insurance option, employer mandate, Medicare modernization. The other half has to be raised in new taxes. Instead of taxing workers' health benefits as some Senators have proposed, the House "America's Affordable Health Choices Act" would put a small surcharge on the wealthy. It's a fair way to pay for reform that will yield lower costs, higher quality and guaranteed health care for everyone at the same time. And the fact is that the surcharge on the wealthy will largely, if not entirely, be offset by lower health insurance costs for individuals and families.

The Surcharge:

- The House plan for health care reform includes a surcharge on individuals earning more than \$280,000 and couples earning more than \$350,000.
- The surcharge will take effect in 2011 and begin at 1 percent of adjusted gross income.
- The proposed surcharge will generate about \$550 billion over 10 years, raising half the money that makes comprehensive health care reform work.

Health Care Reform Works, Even for the Wealthy who Pay the Surcharge:

- The House health care reform approach will hold down premium increases for all Americans, including those in private plans.
- Competition from a public health insurance plan option will bring down private insurance costs, resulting in savings for those with private insurance.
- An independent Commonwealth Fund study estimates that health care reform following the House approach would save the average American household over \$1600 a year, with those making over \$150,000 a year saving between \$1,656 and \$2,948 annually. (See table below).
- Health care reform with a public health insurance plan option will eliminate the hidden \$1,000 premium cost-shift that takes place when providers recoup lost revenue from uninsured patients by charging the insured more.

Surcharges Paid Compared to Savings from Health Care Reform

Income	Surcharge Paid	Savings from Health Care Reform*	Net Savings from Health Care Reform
\$290,000	\$100	\$1,656 to \$2,948	\$1,556 to \$2,848
\$325,000	\$450	\$1,656 to \$2,948	\$1,206 to \$2,498
\$360,000	\$800	\$1,656 to \$2,948	\$856 to \$2,148
\$400,000	\$1200	\$1,656 to \$2,948	\$456 to \$1,748
Married Couple			
\$290,000	\$0	\$1,656 to \$2,948	\$1,656 to \$2,948
\$325,000	\$0	\$1,656 to \$2,948	\$1,656 to \$2,948
\$360,000	\$100	\$1,656 to \$2,948	\$1,556 to \$2,848
\$400,000	\$500	\$1,656 to \$2,948	\$1,156 to \$2,448
\$450,000	\$1,000	\$1,656 to \$2,948	\$656 to \$1,948
\$500,000	\$1,500	\$1,656 to \$2,948	(1,448) to \$156

*Savings will vary depending on rates paid by the public plan (ranging from private plan rates to Medicare rates)

Source: Commonwealth Fund Report and ChartPak:

<http://www.commonwealthfund.org/Content/Publications/Fund-Reports/2009/Jun/Fork-in-the-Road.aspx>

<http://www.commonwealthfund.org/Content/Charts/Report/Fork-in-the-Road-Alternative-Paths-to-a-High-Performance-US-Health-System/Average-Annual-Savings-per-Family-Under-Three-Reform-Scenarios-2020.aspx>