



## HEALTH CARE REFORM...THE GOOD, THE BAD AND THE UGLY...

They did it. They're giddy with power and can't wait to tell you all the good things that are now going to happen. At least that part is true. There are some good things going to happen. But – at what cost? It's difficult to make everyone entitled to everything without someone paying for it in one way or another.

Nonetheless – there are some good things in this bill – all of which could have been done in about 15 pages instead of 2,700 pages. These are the talking points that are splashed all over the papers and blasted over television and radio in a mass "let's make you feel good" effort.

1. Everyone will have health care coverage. Noble thought but going to be a hard sell to the people who have to pay for it. The insurance companies are licking their chops.
2. People with pre-existing conditions cannot be turned down by insurance companies. This will produce higher costs for the insurance companies who in turn will increase premiums for everybody.
3. Your insurance can't be cancelled (except for fraud) and there will be no lifetime limits.
4. The Medicare prescription "doughnut hole" will be eliminated. This is a bizarre computation whereby prescription costs for seniors are eligible for co-pays of only 25% up to a certain point. After that point – about \$2800, seniors have to pay 100% of costs up to about \$6,000 before Medicare part D kicks in again. This was stupid when it was passed in the previous administration and it's still stupid. This should have gone away a long time ago. Having said that – this doesn't really kick in until 2020 which naturally contains the cost for another 10 years. Many seniors will be dead by then. The immediate benefit is a \$250 rebate to seniors who find themselves in that "doughnut hole". \$250 doesn't go very far when you're looking at over \$3,000 additional costs.
5. Children can remain on parents' policies up to age 26.
6. ??????

The good stuff could have happened without all this bad stuff tagging along. However reducing the cost of health care was never the real goal. Universal coverage and government control of the health care process in the guise of cost control were the real end-game. Instead of health care costs coming down (which we all thought was the whole idea when it was discussed during the last election) – they will be going up ...and up, and up...!

1. Limiting flexible spending accounts to \$2,500 increases health care costs for the millions of Americans who have access to these plans. This provision was put in place to help *lower* health care costs. Now it's being reversed. Here's what happens:

If Jane Employee has high medical, dental bills (for whatever reason), she was able to utilize the flexible spending account –aka FSA - (also known as a cafeteria plan) to eliminate the taxes (Federal, state and payroll taxes) on the amount of her salary she allocated to that plan.

Let's assume she pays 20% federal tax, 3% state tax and 7.62% FICA/Medicare tax. That totals 30.62%. Quite a savings! Let's also assume she allocates \$10,000 to the FSA. This means her actual cost of that medical expense is \$10,000. If there was no FSA – it would cost her \$13,062 (\$10,000 plus \$3,062 in taxes).

Now – let's look at what happens when she's limited to \$2,500. Her costs will be \$12,296 (\$2,500 plus \$7500 plus \$2,296 in taxes. for the same \$10,000 in medical bills. It's pretty obvious. Her medical costs just went up by \$2,296 or 22%.

2. Most people think their medical costs are deductible. The reality is that only costs above 7.5% of their income are deductible. That means if your income is \$100,000 and you medical costs are \$10,000 – only \$2,000 of those costs are deductible. Well...this is about to change. The threshold for medical deductions is moving to 10%. That means with \$100,000 of income and \$10,000 of medical costs, \$-0- is deductible. If you're in the 28% bracket – you will now pay tax on the missing \$2,000 deduction. Your medical care cost just went up by \$560.
3. Adding a 2.3% excise (non-deductible) tax on medical devices. Grandpa who needs a wheelchair, walker, etc. just saw his medical care costs go up by 2.3%
4. Imposing an initial \$2.3 billion annual fee on drug makers. This fee will increase over time. Do you think the drug companies are going to smile and make less money? Not a chance! Costs of medication will be going up! Another increase in health care costs.

5. Limiting the deductible compensation for insurance company officers employees, directors, etc. to \$500,000 per year. Why just the insurance companies? Why not the NFL or MLB? Limitations on compensation deductibility will increase taxes and decrease insurance company profits. So who do you think gets stuck with that bill? Look in the mirror. Premiums will go up to cover the lost profits. Just one more increase in health care costs.
6. Establishes a 10% non-deductible excise tax on indoor tanning services. I'm sure the majority of Americans really care about this one. NOT!
7. Levies an additional .9% Medicare tax on earned income above \$200,000 (\$250,000 joint returns) PLUS an additional 3.8% Medicare tax on unearned income – interest, dividends, rents, capital gains, etc – for those taxpayers with AGI (adjusted gross income over \$200,000 (\$250,000 joint returns). The tax brackets will be going up in 2011 and this just adds insult to injury. The effective rate for these people will rise by 4.7%. The top bracket will go to 44.3% (39.6% plus 4.7%). This does not include the FICA/Medicare tax being withheld from paychecks. Having fun yet?
8. Applies a 40% non-deductible excise tax to so-called “Cadillac” health plans. These are plans which provide too much coverage at too great a cost – determined by those who know-all and see-all in Congress. Although this confiscatory tax will not be enforced until 2018- as a price for the unions’ support – it will be sure to increase premiums by 40% - at least – at that time.
9. Taxes (in the guise of a fee) health insurance providers based on their share of net premiums for U.S. health risks. Add that to your growing cost of health care tab as well.
10. Imposes a non-deductible penalty of the greater of \$750 or 2% of income per adult in a household for those who fail to obtain what those who know everything deem to be “adequate” coverage. For those people who choose not to be insured...this can be very costly. So – as usual with government mandates....pay up and shut up!
11. Employers with at least 50 full time employees will be penalized up to \$2,000 (maybe \$3,000) per employee (not including the first 30 employees) if they don't provide the aforementioned “adequate coverage” to everyone. Many small businesses will go out of business. Can't afford to cover everyone – and can't afford not to. And – many businesses may decide not to hire any more full time employees. Temp agencies will fast become a growth industry.

And now for the ugly...

1. The states will be responsible for the increase in Medicaid costs due to increased coverage of "X" million more individuals. (Nobody knows just how many are really not currently covered and how many more will be covered under our new Health Care Reform) The states are already broke. State income tax increases are already heading down the chute – albeit reluctantly – but many have no choice.
2. Add 30 million plus people with medical insurance coverage to the system while keeping the same number of health care professionals and we now have a traffic jam with lines for service increasing exponentially. For this reason alone – health care treatment will be rationed and slowed down. Surgeons can only operate so many hours per day. Primary care physicians can only see so many people per day. The day is only 24 hours long. Now what? You have to wait longer for appointments, longer for needed surgery, etc. etc. etc...
3. Social Security and Medicare are practically broke. Social Security became law 73 years ago in 1937. Medicare became law in 1965- just 45 years ago. Both massive programs are run and controlled by government. The promise to reduce fraud and waste (who determines what is wasteful and what is not?) – is as empty as their inability to accomplish that since the inception of these programs. According to a segment on "60 Minutes" on Medicare fraud in the state of Florida – millions of dollars *each week* are being sent to criminals who glean social security numbers and submit false claims. Did you hear about anybody doing anything to stop this? Neither did I.
4. There will be no "death panels". But – there will be government committees made up of *appointed* individuals who will determine which health care services will be allowed and which will be considered under the "wasting money" (my words) category. Cost effectiveness will be a factor in all decisions. In the interest of covering everyone – even those who adamantly don't want coverage – the rest of us will lose our ability to determine our own health care and with that – possibly our ability to determine if we die sooner rather than later.
5. In the interest of rooting out fraud and waste (see #3 above), Medicare services will be cut by \$500 billion dollars. Nothing like hitting a person when they're down. Over 65? Retired? You're in the minority and your vote isn't really "where it's at". And – by the way, hospice services will also be cut. Ouch! That hurt! Where is AARP in all of this? Answer: AARP is supporting the bill – because, they say it closes the "doughnut hole". Real reason? Because AARP is in the health insurance business.
6. Our federal government is already the largest employer in the country. With this new mandate – the only jobs created will be more government jobs. Those of you out there who have lost your job – might try applying to Washington.

7. Employers will be required to report amounts paid for employees' health insurance coverage on their forms W-2. If this amount is not enough or too much...the IRS is supposed to act as the government's Health Care Reform enforcer. The first problem here is the cost to do this is estimated at \$5 billion - \$10 billion - money that the IRS does not have. The other problem is that according to the non-partisan Joint Committee on Taxation, "The use of liens and seizures otherwise authorized for collection of taxes does not apply to the collection of this penalty". That means there's virtually nothing the IRS can do to enforce the fines except to take the funds out of any potential refund a taxpayer has coming. People who aren't due any refunds will apparently face no IRS collection action. Maybe this will wake up some taxpayers who just "love" their refunds - the bigger the better, not realizing that they are giving the IRS an interest free loan of their money all year.

**"Our" new health care reform plan does not apply to those who gave us this "gift" (their word). Congress and the President have their own coverage and will not be required to participate. They in their all-knowing benevolence have presented you with this mandatory "gift" whether you want it or not assuring you that they know what's best for you. They have also presented you with the bill and insisted that you pay for it as well. Qu'ils mangent de la brioche, or so said Queen Marie Antoinette. Let them eat cake!**

***NO CARTOON THIS MONTH. NOTHING FUNNY ABOUT THIS BILL!***