Johanns Amendment undermines health care reform: Better alternatives are available

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September 1, 2010

Resolving concern about the burden of increased paperwork could undermine the positive impact of health care reform by raising insurance premiums, increasing the number of uninsured and eliminating preventive health funding. The Senate expects to vote on the Small Businesses Act soon after returning to DC on September 14. Senator Johanns (R-NE) is offering an amendment that seeks to curb paperwork for businesses at the expense of health care reform.

- The ***Johanns Amendment*** repeals a provision of the Affordable Care Act that was included to raise revenue by increasing business' compliance with tax laws. Businesses claim that the paperwork is too burdensome.
- The ***Johanns Amendment*** "saves" money by cutting all funding for the Prevention and Public Health Fund
- The ***Johanns Amendment*** also "saves" money by weakening the requirement for individuals to purchase affordable insurance in 2014. Doing this means about 2 million more uninsured Americans, and premiums that are about 4 percent higher for those who have insurance.
- The ***Nelson Amendment*** is a better alternative. It reduces the scope of reporting required of businesses. It raises revenue by closing excessive subsidies and loopholes for oil companies.
- ***The Nelson Amendment is the better choice.***

This is how increased paperwork got into the federal health care reform law

The federal health care reform passed on March 23, 1020, the Affordable Care Act, contained numerous provisions to raise revenue to support health care reform. One of these is an effort to assure that vendors and corporations report all of their income to the Internal Revenue Service (IRS) and pay all of their owed taxes.

A paper trail is key to assuring that vendors and corporations are reporting all of their income. The Affordable Care Act requires businesses to report to the Internal Revenue Service any payments greater than $600 that they make to corporations or vendors for services, goods and/or property. This provision takes effect in 2012. Currently all payments to corporations, as well as payments to vendors for goods and property, are exempt from the reporting requirement.

It is expected that $17.1 billion[1] increased revenue over 10 years would be collected as a result of corporations' and vendors' improved compliance with tax law.

[1] Edwin Park and Chuck Marr. Downloaded 8/20/10 at www.cbpp.org/cms/index/cfm?fa+view&id=3264.

What does the Johanns amendment do?

1. ***It repeals the expanded reporting requirements.*** Taking away this source of revenue means that the costs of health care reform must be reduced.
2. **It strips all the funding ($11 billion) from the Prevention and Public Health Fund from 2010 through 2017**. This funding would be used for a variety of activities including prevention research, tests of new approaches to promote prevention and wellness, improvement of public health infrastructure to better respond to outbreaks of infectious diseases, immunizations, community-based efforts to address risk factors like obesity and tobacco use, and the reduction of racial and ethnic health disparities.
3. ***It weakens the mandate for individuals to purchases affordable insurance.*** To further cut costs, it reduces the income test for "affordability" from 8 to 5 percent of income. This means that if insurance costs more than 5 percent of an individual's income he/she would not have to pay a penalty for failing to purchase insurance. They would be allowed to be uninsured and then purchase insurance when they get sick. To contain the growth of premium costs, we need to get as many healthy people in insurance pools as possible.

How does weakening the requirement for individuals to purchase insurance cut the costs associated with health care reform? The logic used to justify this is that by lowering the income level at which individuals pay a penalty, more will choose not to purchase insurance. This will mean that fewer individuals will take advantage of the federal subsidies that will help those with incomes between 133 and 400 percent of FPL purchase insurance. Because the government would pay out less in subsidies, the costs of federal reform are lower.

BUT lowering the penalty threshold from 8 to 5 percent of income also comes with some very undesirable side effects. It also means that

- Fewer healthy people will likely be in the insurance pools
- More people will go without insurance until they get sick
- The costs of treating those without health insurance will continue to be shifted to those who have insurance, to hospitals and to states.

The Congressional Budget Office and the Joint Committee on Taxation found that lowering the penalty threshold would increase the number of uninsured people by about 2 million, and would increase the premiums of those in the 2014 insurance exchanges by as much as 4 percent.[2]

There is a better solution to resolving the problem of increased paperwork

Senator Bill Nelson (D-FL) is offering an alternative amendment that is a better solution. It significantly scales back the scope of the reporting required in the Affordable Care Act. Of course, that means that more vendors and corporations are able to avoid taxes owed, resulting in lower revenues collected.

The Nelson amendment makes up the lost revenue by reducing excessive tax subsidies and loopholes for oil companies. This is a much better approach than cutting funding for preventive health efforts and weakening the positive impact of health care reform by allowing larger number of individuals to choose not to purchase health insurance until they get sick.

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[2] Lowering the affordability exemption threshold to 5 percent is expected to produce a savings of $8.9 billion over 10 years. Communication of CBO and Joint Committee on Taxation in a communication with Bipartisan Congressional Staff on Senate Amendment 4325 (sponsored by Senator Pat Roberts, R-KS, June 10. 2010.