



U.S. HOUSE OF REPRESENTATIVES

COMMITTEE ON THE BUDGET

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2015 Reconciliation Legislation: An Irresponsible, Futile Attack on Women's Health Care and the Affordable Care Act

Overview

Last week, the House Budget Committee marked up budget reconciliation recommendations that are an attack on women's health care and yet another exercise in Republican posturing against the Affordable Care Act (ACA). The reconciliation package continues the Republican crusade against women's health care by prohibiting one year of federal payments to Planned Parenthood for important services such as contraception and cancer screenings. In addition, a floor vote on this package would be the House's 61st vote to repeal, defund, or otherwise undermine the ACA. This reconciliation package is not a serious exercise in legislating. It is motivated by a desire to destroy the ACA, not to improve it, and to score points with Tea Party Republicans who would rather shut down the government than allow Planned Parenthood clinics to receive federal funds for providing important health care services for women.

Republicans refuse to accept that the ACA is a success. The law has provided health security to nearly 18 million previously uninsured Americans since 2010. It has also contributed to a historic slowdown in health spending growth, which helps not only the federal budget, but also family budgets. The reconciliation legislation repudiates these achievements. It would add millions of Americans to the ranks of the uninsured and raise premiums for millions of others. Moreover, despite five years of Republican promises to "replace" the ACA with something supposedly better, this legislation fails to offer an alternative plan to make coverage affordable and accessible to all Americans. Consequently, the package does not represent coherent health policy, and it will face a certain veto if it reaches the President's desk.

Americans would be better served if, instead of wasting time on this futile crusade, Republicans would join Democrats in crafting a bipartisan budget deal to move the country and economy forward by replacing the damaging sequester and avoiding a government shutdown that now potentially looms in December.

Reconciliation Directives in the Fiscal Year 2016 Budget Resolution

The 2016 budget resolution conference agreement assumes \$5.8 trillion in deficit reduction over ten years (\$5.0 trillion in spending cuts and \$0.8 trillion in net interest savings) but includes reconciliation instructions to reduce deficits by a much smaller amount. The budget instructs the three House committees with jurisdiction over the ACA – Education and the Workforce, Energy and Commerce, and Ways and Means – to report recommendations to reduce deficits by \$1.0 billion each over ten years. In the House, because committees have overlapping jurisdictions, the savings from one provision can be counted toward meeting the deficit target of more than one committee. The two Senate committees with reconciliation instructions are Finance and Health, Education, Labor and Pensions. Reconciliation bills receive fast-track consideration in the Senate but also have limits on what can be included. (See a brief description of the reconciliation process [here](#).)

Committee Action

All three House committees reported recommendations to the Budget Committee that exceeded their \$1.0 billion deficit reduction instruction (see table summarizing the deficit impact on page 5). However, the cost estimate from the non-partisan Congressional Budget Office (CBO) indicates that at least one provision in the package violates reconciliation requirements and would be stripped from the bill if an objection were raised and 60 Senators did not vote to waive it. The Budget Committee compiled the recommendations into one reconciliation bill, without making any substantive changes, and approved the package on October 9 without the support of any Committee Democrats.

Ways and Means Committee

The Ways and Means Committee reported legislation that undermines the ACA's protections for workers and families. Despite repeated Republican promises over the last five years to "replace" the ACA with a supposedly superior policy, the Committee has never produced an alternative proposal to ensure that all Americans have access to affordable health coverage. The legislation saves the federal government \$37.1 billion over ten years by repealing five components of the ACA, but CBO estimates that the legislation will increase deficits beyond the first decade, which means it does not comply with rules governing what can be in a reconciliation bill on the Senate floor. Moreover, the savings in the first decade pale in comparison to the \$1 trillion in unpaid-for tax cuts the Committee has reported so far this year.

Repeals individual and corporate responsibility requirements — The legislation destabilizes the U.S. health care system by gutting individual and corporate responsibility for health coverage. First, it repeals the ACA's individual responsibility requirement, which calls on individuals to obtain minimum essential health coverage or pay a penalty. This provision

ensures a balanced risk pool. It operates in combination with the ACA's consumer protections – such as the prohibition against insurers discriminating on the basis of pre-existing conditions – and the law's premium assistance credits to make quality health coverage affordable and accessible. Individuals may be exempted from the coverage requirement if they do not have access to affordable coverage, have very low incomes, or qualify for a hardship exemption. Second, the reconciliation legislation repeals the ACA's requirement that large employers provide affordable health coverage to their workers or face penalties if any of their workers obtain federal premium assistance tax credits for coverage purchased through the ACA Marketplace. Taking away the individual and corporate responsibility requirements is like removing a leg from a table, in this case causing the health care coverage system to become unstable. CBO estimates the Ways and Means legislation would increase the number of uninsured by up to 15 million people, including roughly 3 million children, and would increase premiums in the non-group market by roughly 20 percent. Repealing the individual and corporate responsibility requirements saves the federal government \$147 billion.

Repeals medical device tax — The legislation repeals the ACA's 2.3 percent tax on medical devices, reducing revenues by \$23.9 billion over ten years. The medical device tax is based on the principle that industries that will benefit from the expansion of health coverage to a projected 25 million Americans by 2020 should help cover the cost of health reform. The medical device tax took effect in 2013, and in that year the device industry's revenues and research and development spending increased, and employment in the industry increased by 23,500. Since the tax took effect, the top 12 publicly traded device companies have experienced double-digit profit margins. This runs contrary to industry claims that the tax reduces innovation and employment.

Repeals excise tax on high-cost employer-sponsored health plans — The legislation repeals an excise tax slated to take effect in 2018 on employer-sponsored health plans with premiums exceeding certain dollar thresholds. The tax is 40 percent of the amount by which the total cost of coverage exceeds the thresholds. The thresholds are adjusted for employers facing high costs due to high-risk occupations or the demographics of their employees. The initial thresholds will be increased if there is unexpected high growth in premiums before 2018, and the thresholds are indexed to inflation thereafter. Repeal of this tax costs \$91.1 billion over ten years. The cost of repeal grows quickly over time. By 2025, the annual cost of this repeal almost equals the annual net savings from repealing the individual and corporate responsibility requirements. All of the Ways and Means provisions in combination increase the deficit in 2025 by \$4.7 billion before interactions with provisions from other committees. The fast-growing cost of repealing this tax is a significant factor in CBO's finding that the Ways and Means package as a whole will increase deficits beyond the first decade.

Repeals the Independent Payment Advisory Board (IPAB) — The legislation repeals IPAB, a Medicare cost-containment tool created in the ACA, at an estimated cost of \$7.1 billion. IPAB is charged with developing recommendations to achieve savings if Medicare spending exceeds

certain defined targets. No board members have been appointed, and CBO forecasts Medicare spending will remain below the targets through 2024. If spending exceeds the targets, and IPAB is constituted and makes recommendations, the recommendations will take effect unless Congress overrides them or enacts alternative savings. The ACA prohibits IPAB from making recommendations to “ration” health care, raise revenues or beneficiary premiums, increase Medicare beneficiary cost-sharing, or otherwise restrict benefits or modify eligibility. IPAB is one of many cost-containment tools and strategies in the ACA, and it is intended only as a backstop. The reconciliation legislation does not include any alternative Medicare cost-containment provisions to replace IPAB. However, the Republican budget resolution endorses a plan to shift the risks of growing health care costs onto seniors by converting Medicare into a voucher program. Under this plan, future Medicare beneficiaries would receive a fixed premium-support payment (or voucher) toward the purchase of either a private health plan or traditional Medicare. Past CBO analyses of these types of plans indicate that a Medicare voucher program would only reduce estimated federal Medicare spending significantly over the long term if it also markedly increases costs for beneficiaries.

Energy and Commerce Committee

Repeals ACA Prevention and Public Health Fund — Despite a stated interest among Republicans in accelerating the development of cures for fatal and costly diseases, they support gutting a fund aimed at preventing such diseases. The reconciliation legislation repeals the Prevention and Public Health Fund, reducing federal spending by \$12.7 billion over ten years. Established by the ACA, the Prevention Fund supports evidence-based programs designed to keep Americans healthy, prevent chronic and infectious diseases, and reduce future health care costs. The Prevention Fund has provided resources for all 50 states, for activities ranging from preventing tobacco use to screenings for breast and cervical cancer to programs for childhood immunizations. Beyond the health benefits of these programs, repealing the Prevention Fund is shortsighted from a budget perspective. According to a report by the Trust for America’s Health, there is a return of \$5.60 for every dollar invested in community-based prevention programs.

Prohibits funding to Planned Parenthood for one year — The legislation targets Planned Parenthood by prohibiting federal funding through Medicaid and several other programs for one year to certain organizations that provide abortions – saving \$235 million – and increasing funding to community health centers by the same amount for two years. Eliminating federal funding to Planned Parenthood would limit or prevent women from accessing important health services such as contraception, cancer screenings, and STI tests and treatment. Women in communities with a shortage of other health care providers who serve low-income patients would be most likely to experience barriers to care. Republicans argue that redirecting funds to community health centers would avert any gap in services resulting from defunding Planned Parenthood, but CBO and public health professionals reach a different conclusion. CBO does

not expect that additional funding to community health centers would have a significant impact on the loss of access to contraceptive services, in part because health centers are a unique model and use federal funds to support a broad range of primary care services from medical to dental to behavioral health. Republicans chose not to defund Planned Parenthood permanently, a policy that would increase spending by \$130 million over ten years. This one-year prohibition is a part of Republicans' ongoing crusade against women's health, including the creation of a taxpayer-funded select committee to "investigate" Planned Parenthood.

Education and the Workforce Committee

Repeals ACA employer automatic enrollment requirement — The reconciliation legislation further erodes corporate responsibility by repealing the ACA's employer automatic enrollment requirement. The law directs certain large employers to automatically enroll new full-time employees in a health plan they offer and to continue the enrollment of current employees in a plan. As a result of repeal, about 750,000 fewer individuals would receive employer-based coverage, and nine out of ten of those individuals would become uninsured. This provision saves \$7.9 billion.

Budgetary Effects of 2015 Reconciliation Bill

2016-2025 deficit increase (+) or reduction (-), in billions of dollars

Ways and Means Committee

| | |
|--|--------------|
| Repeal individual and employer responsibility requirements | -147.1 |
| Repeal medical device tax | 23.9 |
| Repeal tax on high-cost employer-sponsored plans | 91.1 |
| Repeal Independent Payment Advisory Board | 7.1 |
| Interactions | -12.1 |
| <i>Subtotal, Ways and Means</i> | <i>-37.1</i> |

Energy and Commerce Committee

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|--|--------------|
| Repeal Prevention and Public Health Fund | -12.7 |
| Prohibit funding for Planned Parenthood for one year | -0.2 |
| Increase funding for Community Health Center Program | 0.5 |
| <i>Subtotal, Energy and Commerce</i> | <i>-12.5</i> |

Education and the Workforce

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|--|--------------|
| <i>Repeal employer auto-enrollment requirement</i> | <i>-7.9</i> |
| <i>Interactions across committee recommendations</i> | <i>-21.4</i> |
| Total* | -78.9 |

*Includes \$37.6 billion in off-budget savings.