

# Affordable Care Act Myths and Facts

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Obamacare, or in its more official form, the *Patient Protection and Affordable Care Act*, has been one of the most comprehensive and controversial pieces of federal legislation enacted in recent memory. Befittingly, its reputation has suffered through quite a lot of distortions as well as unrealistic expectations. It can be difficult to discern fact from fiction, especially in today's political climate. The sheer amount of information can be sobering. Finding reliable information, in which to make an informed decision, has become a chore for even the most responsible of voters. In researching the Affordable Care Act, we've only included the most non-partisan or independent sources. Some of these, like the Congressional Budget Office or the Joint Committee on Taxation are long trusted sources across the aisle. Others, such as the National Association of Realtors or the AARP do have "skin in the game," but are independent groups providing a service to their stakeholders. Factcheck.org and the Pew Research Center for the People & the Press stake their reputation on their credibility.

Find a comprehensive timeline at [www.healthcare.gov](http://www.healthcare.gov).

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## ***Does this cut Medicare by \$500 billion?***

No. That statement has been taken out of context and probably refers to a \$500 billion reduction in the future growth of Medicare over 10 years. The law stipulates that guaranteed Medicare benefits won't be reduced, and it adds some new benefits, such as improved coverage for pharmaceuticals ([www.cbo.gov](http://www.cbo.gov); [www.factcheck.org](http://www.factcheck.org)).

## ***Isn't this going to increase the deficit?***

The Congressional Budget Office (CBO) estimates the Affordable Care Act will have a net savings in comparison to there being no bill. The CBO and Joint Committee on Taxation (JCT) now estimate the insurance coverage provisions of the ACA will have a net decrease in federal deficits of \$2 billion over the 2012-2021 period ([www.cbo.gov](http://www.cbo.gov); [www.jct.gov](http://www.jct.gov)).

## ***Is the Affordable Care Act causing insurance rates to go up?***

The largest cost driver in what people are paying does not have to do with health care reform, it has to do with things that were happening well before health care reform and would continue to happen regardless of whether there was health care reform ([www.cbo.org](http://www.cbo.org)). The short answer is that no one knows if rates will go up (or down) following the ACA. There are competing theories. It depends on what your care was previous to the ACA. Changes in minimum required services, preventative care and the addition of the medical device tax may make your premium go up. On the other hand insurance companies will be competing for the new customers who are now required to buy insurance, increasing competition, potentially lowering prices. Rates of insurance in Massachusetts have risen more slowly than in the rest of the nation since the passage of their state-run health care law. The non-partisan Kaiser Family Foundation reported that the ACA was responsible for anywhere from 25% to 50% of the increase in premiums this year ([www.kff.org](http://www.kff.org)).

## ***With the number of people against this program how can it succeed?***

A recent poll by the Kaiser Family Foundation found Americans split down the middle, with 41% approving of the law, and 40% saying they didn't like it. But then Kaiser asked about 12 specific provisions in the legislation, and found that, on average, 63% of respondents approved of the nuts and bolts of the bill. Of the 12 measures they tested, only one – the controversial mandate to carry health insurance or pay a penalty – received the approval of less than half of Americans (35%). 56% of respondents said they prefer ACA opponents “stop their efforts to block the law and move on to other national problems.” (<http://www.kff.org/kaiserpolls/upload/8329-F.PDF>).

### ***Will the ACA come between me and my doctor?***

The health care law does set new minimum benefits packages, but that's more a matter of coming between patients and their insurance companies, rather than patients and their doctors. And these are minimum benefit packages, meaning coverage will increase, not decrease ([www.factcheck.org](http://www.factcheck.org)).

### ***What about the Death Panels? What about rationed care?***

This is probably in reference to the Independent Payment Advisory Board (IPAB). There will be no Death Panels. The Patient Protection and Affordable Care Act explicitly states the IPAB has the explicit task of achieving specified savings in Medicare without affecting coverage or quality "shall not include any recommendation to ration health care, raise revenues or Medicare beneficiary premiums, increase Medicare beneficiary cost sharing (including deductibles, coinsurance, and co-payments), or otherwise restrict benefits or modify eligibility criteria." The board's recommendations, furthermore, will go before Congress, where they can be replaced with alternative cuts or rejected outright by a three-fifths majority ([www.gpo.gov](http://www.gpo.gov); [www.factcheck.org](http://www.factcheck.org)).

### ***Are they increasing the Medicare payroll tax?***

Yes. The Medicare payroll tax is currently 1.45%. Starting in 2013 it increases 0.9% on income over \$200,000 for individuals and \$250,000 for married couples ([www.irs.gov](http://www.irs.gov)).

### ***Supposedly I will be able to keep my plan. How true is this?***

This is largely speculative and cannot be guaranteed. While the law does build on the U.S. system of primarily work-based coverage, the CBO has consistently said there will be some movement among those who currently have coverage. A few million Americans with employer-based insurance will not be able to keep their current plans, and there's nothing in the law that would prohibit employers from switching health care plans, just as they could before the law was passed.

Also, those who buy private coverage on their own — 30.1 million persons — may have to get a new plan if theirs doesn't cover minimum benefit standards ([www.factcheck.org](http://www.factcheck.org); [www.cbo.gov](http://www.cbo.gov)).

### ***What is the tax (fee) for not buying insurance?***

The annual penalty is capped at an amount roughly equal to the cost of the national average premium for a qualified health plan — in other words you cannot be forced to pay more than it would have cost to buy a plan in the first place. The health care law sets out a formula to determine your penalty, which will be assessed and collected by the IRS as part of your federal income taxes. The formula is related to a taxpayer's adjusted gross income relative to the federal poverty level. The penalty will be the greater of a flat dollar amount per person, OR a % of your taxable income. For dependents under 18, the penalty is half the individual amount.

Flat dollar amount for individuals: \$95 in 2014; \$325 in 2015; and \$695 in 2016; increases indexed to inflation after that, subject to a cap.

Percentage of individual taxable income: There is a fixed % tax of household income in excess of tax filing threshold – 1% in 2014; 2% in 2015; 2.5% in 2016.

There are plenty of exemptions from the penalty. You do not face it if your insurance premiums would be more than 8% of your gross income, if you're a member of an American Indian tribe, or if you lacked insurance for less than three months during a year. ([www.factcheck.org](http://www.factcheck.org); Blue Cross Blue Shield [www.bcbsri.com](http://www.bcbsri.com); [www.cbo.gov](http://www.cbo.gov)).

### ***Will they take me to jail if I don't buy insurance?***

The law prohibits the IRS from seeking to put anybody in jail or seizing their property for simple refusal to pay the tax. The law says specifically that taxpayers "shall not be subject to any criminal prosecution or penalty" for failure to pay, and also that the IRS cannot file a tax lien (a legal claim against such things as homes, cars, wages and bank accounts) or a "levy" (seizure of property or bank accounts) The law counts on avoiders turning themselves in. If you do not have insurance and think you owe the tax, then you will be asked to check a box to that effect on your tax return. If you choose to ignore the mandate, you might also choose not to check the box. Basically, the IRS has two options: To ask you for the money and to reduce the size of your tax refund. But the IRS cannot reduce your refund unless you overpay ([www.factcheck.org](http://www.factcheck.org); [www.irs.gov](http://www.irs.gov)).

### ***Is this law a job killer?***

Any changes to an industry this large will result in changes to the economy. The short answer is some jobs will be lost and some jobs will be gained. According to the CBO the amount of labor in the economy would be reduced by about 0.5%. That currently equals about 675,000 jobs. But the jobs would not be lost or killed. Most of those workers would have the "financial resources" — because of the subsidies provided by the law — to retire or reduce their hours, the CBO says.

Now, the CBO also said that some businesses seeking to avoid paying for insurance could hire more part-time workers, rather than full-time employees. And John Sheils, senior vice president of The Lewin Group, a healthcare consulting firm, has estimated that 150,000 to 300,000 low-wage jobs could be lost. But that estimate does not include the potential for job increases in the health and insurance industries. ([www.lewin.com](http://www.lewin.com); [www.factcheck.org](http://www.factcheck.org)).

### ***Is this going to ruin small businesses?***

Actually, there is a tax credit for small businesses. If you are an employer with fewer than 25 full-time employees paying an average wage of less than \$50,000 a year, and pay at least half of employer health insurance premiums, then there is a tax credit.

The fear that this is going to be detrimental to small business most likely comes from the penalty assessed to employers with 50 or more full-time employees that don't offer coverage (effective January 1, 2014). Employers can find more information at <http://www.healthcare.gov/using-insurance/employers/small-business/index.html>.

### ***What is the medical device tax?***

The tax applies to sales of taxable medical devices by the manufacturer or importer after December 31, 2012. The tax is 2.3% of the price for which the manufacturer or importer sells the taxable medical device ([www.irs.gov](http://www.irs.gov)), such as surgical gloves, dental instruments, wheelchairs, coronary stents, artificial knees and hips, defibrillators, cardiac pacemakers, irradiation equipment, and advanced imaging technology. The tax does not apply to eyeglasses, contact lenses, hearing aids, or any other medical device that the public generally buys at retail for individual use ([www.ict.gov](http://www.ict.gov)).

### ***Won't it cause manufacturers to shift production overseas?***

The tax applies equally to imported and domestically produced devices, and devices produced in the United States for export are tax-exempt. The expansion of health coverage will increase the demand for medical devices and could offset the effect of the tax.

***Is there a 3.8% real estate “sales tax” or a transfer tax created in health care bill?***

No. There is neither a real estate “sales tax” nor a real estate transfer tax under any federal law. There is a 3.8% tax on net unearned income for taxpayers whose adjusted gross income exceeds \$200,000 (\$250,000 for married couples filing a jointly, \$125,000 for married couples filing separately). Unearned income is the income that an individual derives from investing capital. It includes capital gains, rents, dividends and interest (National Association of Realtors. [www.nar.org](http://www.nar.org)).

## Sources:

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**H.R. 3590 Patient Protection and Affordable Care Act.** <http://www.gpo.gov/fdsys/pkg/BILLS-111hr3590enr/pdf/BILLS-111hr3590enr.pdf>

**CBO’s Analysis of the Major Health Care Legislation Enacted in March 2010.**

<http://www.cbo.gov/sites/default/files/cbofiles/ftpdocs/121xx/doc12119/03-30-healthcarelegislation.pdf>

**Individual mandate Fact Sheet.**

[https://www.bcbsri.com/BCBSRIWeb/pdf/Individual\\_Mandate\\_Fact\\_Sheet.pdf](https://www.bcbsri.com/BCBSRIWeb/pdf/Individual_Mandate_Fact_Sheet.pdf)

**United States Department of Labor.** [www.dol.gov](http://www.dol.gov)

**The Lewin Group.** Independent health care research, analytics, and consulting firm. [www.lewin.com](http://www.lewin.com)

**Factcheck.org.** A non-partisan organization that monitors the factual accuracy of what is said by major U.S. political players in the form of TV ads, debates, speeches, interviews and news releases. [www.factcheck.org](http://www.factcheck.org)

**Pew Research Center for the People & the Press.** Independent, non-partisan public opinion research organization that studies attitudes toward politics, the press and public policy issues. [www.people-press.org](http://www.people-press.org)

**Congressional Budget Office.** Independent, nonpartisan, timely analysis of economic and budgetary issues to support the Congressional budget process. [www.cbo.gov](http://www.cbo.gov)

**Joint Committee on Taxation.** Independent, tax-focused, committee involved in all stages of the tax legislative process. [www.jct.gov](http://www.jct.gov)

**National Association of Realtors.** [www.Nar.org](http://www.Nar.org)

**Blue Cross Blue Shield of Rhode Island.** [www.bcbsri.com](http://www.bcbsri.com)

**Kaiser Family Foundation.** A non-partisan, health policy non-profit “dedicated to filling the need for trusted, independent information on the major health issues facing our nation and its people.” [www.kff.org](http://www.kff.org).

**Healthcare.gov.** The federal government website dedicated to Healthcare. [www.healthcare.gov](http://www.healthcare.gov)

**American Association of Retired Persons.** [www.aarp.org](http://www.aarp.org)

**Internal Revenue Service.** [www.irs.gov](http://www.irs.gov)

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