Today, March 25, 2010, the House is scheduled to consider the Senate-passed version of H.R. 4872, the Health Care and Education Reconciliation Act of 2010. The House must vote on a motion to concur with the Senate-amendment to HR. 4872. The new version reflects two relatively minor changes made by the Senate to education program provisions in the bill (these provisions were struck because they violated the Byrd Rule that governs budget reconciliation bills in the Senate). Specifically, the Senate struck provisions to (1) provide for future Pell grant awards in years 2018 and beyond (page 118 lines 15-25) and (2) require the Secretary of Education to reduce mandatory Pell grants if there is insufficient funding (page 120 lines 3-5). CBO has said that these changes do not change their previous cost projections for the bill. CBO projects the bill (taken with the now-enacted health law that passed the House Sunday) spends $938 billion on coverage subsidies and reduce the deficit by an on-budget $114 billion during 2010-2019. The Senate-passed version of H.R. 4872:

- ***Increases the penalty on individuals who fail to comply with the new requirement to maintain Washington-bureaucrat-approved insurance coverage:*** Modifies the individual mandate penalty in three ways: (1) exempts income below the filing threshold from the calculation of the penalty, (2) lowers the flat dollar penalty from $495 to $325 in 2015, and from $750 to $695 in 2016, and (3) for individuals paying a penalty based on family income, changes the penalty from 0.5% to 1.0% of family income in 2014, from 1.0% to 2.0% of family income in 2015, and from 2.0% to 2.5% of family income for 2016 and later years.

- ***Increases the penalty on employers who fail to comply with the new requirement to buy their employees Washington-bureaucrat-approved insurance coverage:*** Increases the annual per-employer penalty from $750 per employee to $2,000 per employee, and subtracts 30 full-time employees from the penalty calculation (e.g., a firm with 100 employees would have to pay the $2,000 annual penalty on 70 employees; (100 – 30) x $2,000 = $140,000 total annual penalty).

- ***Adds even more federal-mandates on all insurance plans:*** Makes health insurance more expensive by requiring grandfathered health insurance plans – those in existence today – to (1) eliminate lifetime limits on benefits; (2) restrict annual limits on benefits within six months of enactment; and (3) cover certain married and unmarried adult "children" up to age 26. Group plans may no longer exclude coverage for a pre-existing condition for any child under 19. These rules are on top of those imposed in the law enacted Tuesday.

- ***Traps 90 million people into Medicaid, a broken welfare program that half of doctors refuse to accept:*** Increases federal outlays on the Medicaid program by $434 billion during 2010-2019, $48 billion more than the enacted bill. The bill would provide federal Medicaid matching payments for the costs of services to populations made eligible by the new law at the following rates in most states: 100% in 2014, 2015, and 2016; 95% in 2017; 94% in 2018; 93% in 2019; and 90% thereafter. The bill eliminates the "Cornhusker Kickback," (permanent 100% federal financing for Nebraska's newly eligible Medicaid populations) but it still includes the "Louisiana Purchase" (increased federal funding for the State of Louisiana) and other special deals for certain states.

- ***New Special Deals:*** Spends a new $400 million in FY 2011 and 2012 for grants to "qualifying hospitals" that are located in a county where spending for Medicare Part A and Part B ranks in the lowest quartile. This new spending is likely intended for rural areas.

- ***Medicare "doughnut hole:"*** Under current law, the Medicare prescription drug benefit provides financial help to seniors who take prescription drugs, stops paying for prescriptions after the plan and beneficiary hit a certain threshold of spending, and starts paying again after out-of-pocket spending hits a second threshold. The bill (1) provides a $250 rebate for all Medicare Part D enrollees who enter the doughnut hole in 2010; (2) lowers the rate-of-growth of the maximum out-of-pocket amount; (3) fills in the "doughnut hole" but hides the true cost of doing so by not fully phasing-in the provision until 2020, which is outside the current 2010-2019 budget window.

- ***Tax Changes:*** Makes several changes including (1) imposing a new multi-billion dollar Medicare tax (called "an unearned income Medicare contribution") on investment income; (2) lowering the amount of money collected from brand-name pharmaceutical drugs in 2012 and 2014 and increasing the amount collected in 2017 and 2018; (3) lowering the tax rate on certain medical devices (except eyeglasses, contact lenses, hearing aids, and other devices determined by the Secretary) from 2.9% in the reconciliation bill to 2.3%, and (4) applying this new medical device tax to Class I devices (e.g., tongue depressors, BAND-AIDs, bedpans, examination gloves, and hand-held surgical instruments).