

# **Revenue Provisions of the ACA and Some Implications for Virginia**

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**Where Innovation Is Tradition**

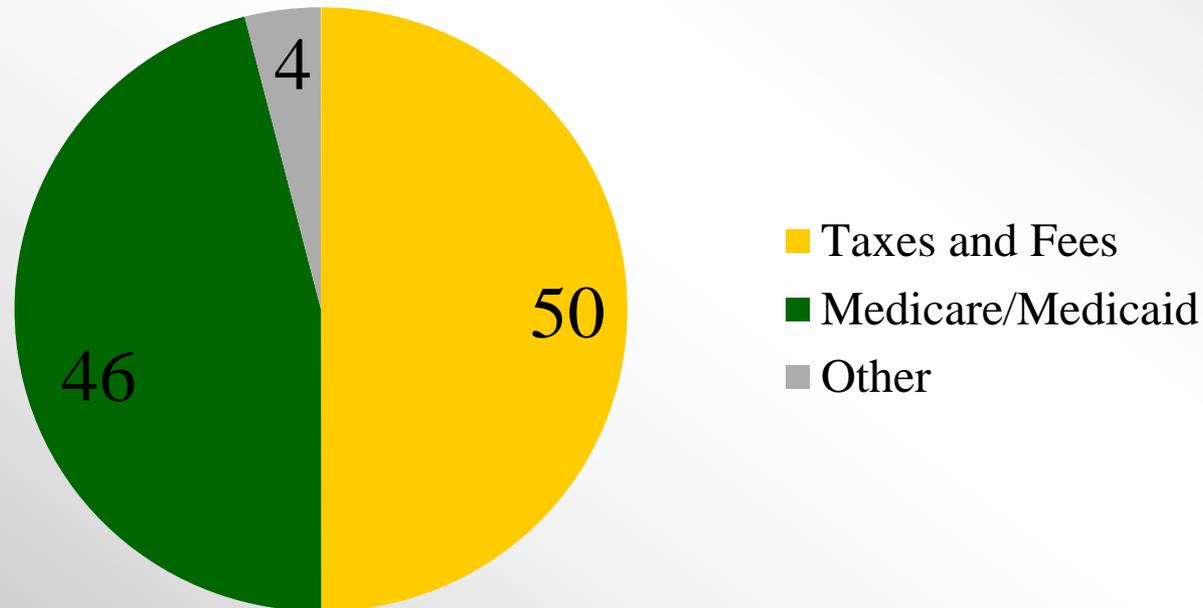
# Overview

- Big Picture: How is ACA Financed?
- ACA Tax and Fee Increases
- ACA Medicare Spending Reductions
- Implications for Virginia

# Big Picture ACA Financing

- ACA is estimated to reduce the deficit on net by \$109B, 2012-2022
  - CBO to John Boehner, 7/24/12

**ACA Financing Sources**



# Major Taxes and Fees

<b>Specific tax or fee</b>	<b>Revenue raised 2010-2019</b>
<b>Increase HI tax bases (0.9%/3.8%)</b>	<b>210.2</b>
<b>Penalty payments by employers</b>	<b>70</b>
<b>Health Insurance Providers</b>	<b>60.1</b>
<b>Penalty payments by individuals</b>	<b>27</b>
<b>Branded drug fee</b>	<b>27</b>
<b>Medical Devices (2.3%)</b>	<b>20</b>
<b>Limits on cafeteria plans, HSA, MSA, etc</b>	<b>19.4</b>
<b>Raise AGI floor on medical expense deduction</b>	<b>15.2</b>

Source: Joint Committee on Taxation

# Major Medicare and Medicaid Spending Reductions

<b>Specific Provision</b>	<b>Spending Reduced 2010-2019</b>
<b>Hospital market basket update reduction</b>	<b>196</b>
<b>Medicare advantage payment reductions</b>	<b>136</b>
<b>Other Medicare and Medicaid reductions</b>	<b>87</b>
<b>DSH</b>	<b>36</b>

Source: Congressional Budget Office

# Who Pays the Most for ACA coverage expansion?

- Higher income individuals and families
- Hospitals
- Insurers
- Drug Companies

# Who Pays the Most in Virginia?

- Individuals/families with incomes over \$200,000/\$250,000
- Hospitals
- Health plans

# Who Would Gain the Most if coverage expanded in Virginia?

- The Uninsured in Virginia
  - Highland, Henry, Charlotte, Lunenburg, Mecklenburg, Buckingham, Cumberland, Amelia,, Westmoreland, Northumberland, Accomack and Northampton Counties; Harrisonburg City, Richmond City, Charles City
- Hospitals
- Health Plans
- Economy as a Whole\*

# Impact on Economy as a Whole

- Increase in jobs: 27,170 – 49,930 (2019)
- Net Funds Flow into (out of) Virginia: (2014-18)
  - With Medicaid expansion: +2B
  - Without Medicaid expansion: - \$7.8B
- Net Loss from not-expanding Medicaid
  - VA would pay 2.5% of taxes in ACA in 2022
  - VA would lose \$2.8B in 2022
- Net Cost of Medicaid to VA in 2022: \$285M
- Net Expenditures VA spends to attract business in 2022: \$1.6B

Sources: Weldon Cooper Ctr. For Public Service; VHHA/CBO; Sherry Gilead for Commonwealth Fund;

## Analysis of ACA Net Impact to Virginia

	Allocation Method	VA Allocation	2014	2015	2016	2017	2018	Total
<b>ACA Tax Increases Affecting Virginians</b>								
Exchange Premium Tax Credits	Population	2.59%	\$ 181,300,000	\$ 362,600,000	\$ 569,800,000	\$ 673,400,000	\$ 751,100,000	\$ 2,538,200,000
Small Employer Tax Credits	Population	2.59%	51,800,000	77,700,000	51,800,000	25,900,000	51,800,000	259,000,000
Penalty Payments by Uninsured Individuals	Population	2.59%	-	(77,700,000)	(155,400,000)	(181,300,000)	(181,300,000)	(595,700,000)
Penalty Payments by Employers	Salaries	3.06%	(122,400,000)	(275,400,000)	(306,000,000)	(336,600,000)	(367,200,000)	(1,407,600,000)
Excise Tax on High-Premium Insurance Plans	Salaries	3.06%	-	-	-	-	(336,600,000)	(336,600,000)
Coverage Provisions on Tax Revenues	Salaries	3.06%	(91,800,000)	(183,600,000)	(428,400,000)	(703,800,000)	(887,400,000)	(2,295,000,000)
Reinsurance and Risk Adjustment Collections	Population	2.59%	(336,700,000)	(414,400,000)	(466,200,000)	(466,200,000)	(518,000,000)	(2,201,500,000)
Fees to Manufacturers and Insurers	Population	2.59%	(310,800,000)	(388,500,000)	(388,500,000)	(466,200,000)	(492,100,000)	(2,046,100,000)
Additional Hospital Insurance Tax	Health Spending	2.37%	(237,000,000)	(592,500,000)	(687,300,000)	(758,400,000)	(829,500,000)	(3,104,700,000)
Other Revenue Provisions	Health Spending	2.37%	(260,700,000)	(237,000,000)	(189,600,000)	(165,900,000)	(189,600,000)	(1,042,800,000)
<b>Tax Increases Affecting Virginians</b>			<b>(1,126,300,000)</b>	<b>(1,728,800,000)</b>	<b>(1,999,800,000)</b>	<b>(2,379,100,000)</b>	<b>(2,998,800,000)</b>	<b>(10,232,800,000)</b>
<b>ACA Health Care Provider Cuts Affecting Virginia</b>			<b>(122,235,400)</b>	<b>(251,146,800)</b>	<b>(305,746,300)</b>	<b>(389,179,800)</b>	<b>(450,615,300)</b>	<b>(1,518,923,600)</b>
<b>Total Tax Increases/Provider Cuts</b>			<b>(1,248,535,400)</b>	<b>(1,979,946,800)</b>	<b>(2,305,546,300)</b>	<b>(2,768,279,800)</b>	<b>(3,449,415,300)</b>	<b>(11,751,723,600)</b>
<b>ACA Related Fund Flows To Virginia</b>								
Health Insurance Exchange Funding	Urban Institute		280,132,960	536,921,507	875,415,500	1,062,170,807	1,178,892,874	3,933,533,647
Medicaid Extension Provisions	DMAS		738,353,025	2,087,764,690	2,267,170,655	2,354,603,688	2,430,967,834	9,878,859,892
<b>ACA Funds flowing to Virginia</b>			<b>1,018,485,985</b>	<b>2,624,686,197</b>	<b>3,142,586,155</b>	<b>3,416,774,495</b>	<b>3,609,860,708</b>	<b>13,812,393,539</b>
<b>Net Impact to Virginia</b>			<b>\$ (230,049,415)</b>	<b>\$ 644,739,397</b>	<b>\$ 837,039,855</b>	<b>\$ 648,494,695</b>	<b>\$ 160,445,408</b>	<b>\$ 2,060,669,939</b>

NOTE: The tax analysis is based on data from the July 24, 2012 CBO letter report to Speaker of the House John Boehner.