



Vote No on Johanns Amendment to the Small Business Jobs Act: Would Increase Health Insurance Premiums, Eliminate Key Prevention Funds

The Senate is scheduled to take up the Small Business Jobs Act (H.R. 5297) when Congress reconvenes in September. An amendment offered by Senator Johanns (S.A. 4596) would repeal a provision of the Affordable Care Act¹ designed to reduce noncompliance with tax laws by requiring expanded 1099 reporting on certain business transactions. Critics of the 1099 reporting provision say that it imposes a burden on businesses. But to pay for the \$17 billion cost of repealing the 1099 provision, the Johanns amendment would undermine key provisions of the Affordable Care Act, including eliminating funding for the Prevention and Public Health Trust Fund until 2018, and ultimately causing health care premiums to increase for all of us by undermining the personal responsibility provision. An amendment that would modify the reporting requirement, offered by Senator Bill Nelson (S.A. 4595), is a better approach.

The Johanns Amendment Eliminates Key Preventive Health Care Funds

- The Johanns amendment would eliminate section 9006 of the new health care law and eliminate the 1099 tax compliance provision. But in doing so, the Johanns amendment creates a \$17 billion hole in the Affordable Care Act.²
- To offset the cost of repealing the 1099 provision, the Johanns amendment pays for a large part (approximately \$11 billion) by eliminating the Prevention and Public Health Trust Fund³ until 2018. The Prevention Trust Fund provides a critical investment in preventive health care – designed to help ensure a focus on preventive health care services that will drive down the cost of health care for all of us.
- The Prevention Fund will help support vital programs that focus on keeping people healthy, instead of simply caring for people when they get sick. This includes programs on wellness, prevention research, health screenings and immunizations.
- Already, funds have been announced by HHS to support programs such as obesity prevention and tobacco cessation, developing state and local capacity to prevent, detect and respond to infectious disease outbreaks, and support for state and community prevention initiatives.

The Johanns Amendment Would Cause Insurance Premiums to Increase by Undermining a Key Provision of the Affordable Care Act

- The Johanns Amendment is also paid for by undermining the personal responsibility provision in the Affordable Care Act. The personal responsibility provision requires all individuals to have health insurance starting in 2014, unless exempt. The Act exempts those with unaffordable insurance, which is defined as insurance premiums exceeding 8% of income; the Johanns amendment would reduce this threshold to 5% of income. Because fewer people would obtain subsidized health insurance, this would produce estimated savings of nearly \$9 billion over 10 years.⁴

- According to the CBO/JCT, reducing this affordability threshold would ultimately leave at least 2 million more people uninsured⁵ – a result at odds with the express goals of the Affordable Care Act.
- CBO has estimated that lowering the affordability threshold to 5% could cause premiums to increase by as much as 4% in the Exchanges for the rest of us.⁶ If premiums in the Exchange increase, this would in turn increase the federal cost of subsidizing premiums for low and moderate income families, and further increase the number of people exempt from the personal responsibility requirement.
- The personal responsibility provision of the new health care law is a critical component that ensures success of other important insurance reforms, like the end of pre-existing condition exclusions. States that have adopted insurance reforms without a personal responsibility provision have experienced first-hand the results of such a piece-meal approach: a dramatic and unsustainable increase in premiums in their individual market.

Repealing the 1099 Provision Is the Wrong Answer – the Nelson Amendment Offers a More Targeted Response

- To the extent that the 1099 provision causes special challenges for small businesses, a more targeted provision could address this issue, such as the amendment offered by Senator Bill Nelson. The Nelson amendment would (1) exempt small businesses with 25 or fewer employees from the reporting requirement and (2) significantly increase the threshold amount of transactions triggering the 1099 reporting requirement for all businesses, from \$600 to \$5,000 in the aggregate to a payee.
- Importantly, Senator Nelson's amendment is fully paid for without undermining key provisions of the Affordable Care Act.

***Small businesses need the Small Business Jobs Act;
this critical legislation should not be held hostage
by opponents of the new health care law.***

¹ The Affordable Care Act collectively refers to the Patient Protection and Affordable Care Act, P.L. 111-148, and the Health Care and Education Reconciliation Act, P.L. 111-152.

² A similar provision to repeal the 1099 reporting requirement taken up in the House earlier this year was estimated to cost \$19 billion over 10 years. Joint Committee on Taxation, Estimated Revenue Effects Of H.R. 5982, the "Small Business Tax Relief Act Of 2010," available at:

<https://www.jct.gov/publications.html?func=startdown&id=3700>

³ Section 4002 of the Patient Protection and Affordable Care Act.

⁴ Edwin Park & Chuck Marr, Center on Budget and Policy Priorities, "Johanns Amendment to Small Business Bill," August 16, 2010, 7 (citing Congressional Budget Office and Joint Committee on Taxation, Communication with Bipartisan Congressional Staff on Senate Amendment No. 4325, sponsored by Senator Pat Roberts, June 10, 2010.); available at: <http://www.cbpp.org/cms/index.cfm?fa=view&id=3264>.

⁵ Id.

⁶ Id.