

The New York Times

This copy is for your personal, noncommercial use only. You can order presentation-ready copies for distribution to your colleagues, clients or customers [here](#) or use the "Reprints" tool that appears next to any article. Visit www.nytreprints.com for samples and additional information. [Order a reprint of this article now.](#)



July 15, 2009

House Health Plan Outlines Higher Taxes on Rich

By [ROBERT PEAR](#) and [DAVID M. HERSZENHORN](#)

WASHINGTON — House Democratic leaders took a big step toward guaranteeing [health insurance](#) for most Americans on Tuesday as they unveiled a bill that detailed how they would expand coverage, slow the growth of [Medicare](#), raise taxes on high-income people and penalize employers who do not provide health benefits to their workers.

A day after [President Obama](#) pressured Democratic leaders to speed work on his top domestic priority, three House committees announced plans to begin voting on the measure this week.

Starting in 2011, a family making \$500,000 would have to pay \$1,500 in additional income tax to help subsidize coverage for the uninsured. A family making \$1 million would have to pay \$9,000.

Employers who do not provide health insurance to workers would generally have to pay a fee or penalty to the government. The fee would be equal to 8 percent of wages for an employer with an annual payroll of more than \$400,000.

After months of setbacks and uncertainty, House Democrats were jubilant as they introduced their proposal to achieve a goal that has eluded presidents for six decades.

“This is indeed a happy day, for today we are introducing historic and transformative legislation that will benefit all Americans, a health insurance act for the great middle class of America,” Speaker [Nancy Pelosi](#) said.

President Obama hailed the House bill, which he described as a product of “unprecedented cooperation” by three House committees.

Speaking from Warren, Mich., Mr. Obama said, “Don’t be fooled by folks trying to scare you by saying we can’t change the health care system. We have no choice but to fix the health care system because right now it’s broken for too many Americans.”

The surtax would apply to any adjusted gross income exceeding \$280,000 a year for an individual and \$350,000 for a couple filing a joint return. The tax rates would range from 1 percent to 5.4 percent.

A partial, preliminary estimate by the [Congressional Budget Office](#) said it would cost slightly more than \$1 trillion over 10 years to expand coverage as provided in the House bill. But Democrats said the cost would be fully offset by proposed savings in Medicare and other health programs and by revenue-raising changes in federal tax laws.

Douglas W. Elmendorf, director of the budget office, said that by 2019 the bill could reduce the number of people without health insurance by 37 million, leaving 17 million still uninsured. Nearly half of the uninsured would be illegal immigrants, Mr. Elmendorf said.

In a letter to lawmakers, major business organizations described the 1,018-page bill as a job-killer. They said its coverage mandate would automatically increase the cost of hiring a new worker.

In a summary of the bill, House Democrats said their proposal for a surcharge, or surtax, would raise \$544 billion over 10 years — roughly half the cost of the bill — and affect “only 1.2 percent of all households in the United States.”

The additional tax on high-income people could rise significantly in 2013 if the federal government did not achieve specified savings in federal health programs like Medicare and [Medicaid](#).

On the other side of the Capitol, after more than three weeks of work, the Senate health committee was poised to become the first panel to approve comprehensive health legislation.

But the Senate Finance Committee is still struggling to find ways to pay for it all, and the chairman of the committee, Senator [Max Baucus](#), Democrat of Montana, acknowledged that he had yet to secure the bipartisan support he had been seeking.

The House bill would create a new government-run health plan, which would compete with private insurers, starting in 2013.

Under the bill, individuals would generally have to maintain health insurance, except in cases of hardship as defined by the [Treasury](#). Those without coverage would have to pay a penalty in the form of a new tax.

People could buy coverage on their own from the new government plan, and those with modest incomes could get federal aid. Workers who have access to insurance through their employers could sign up for the government plan if premiums for the employer coverage would take up more than 11 percent of family income.

While employers not providing coverage would generally have to pay a fee or penalty equal to 8 percent of wages, there would be some exceptions. For example, an employer with a payroll of less than \$250,000 a year would not have to pay any fee or penalty.

The fee would be equal to 2 percent of wages for a company with an annual payroll of \$250,000 to \$300,000; 4 percent of wages for an employer with a payroll of \$300,000 to \$350,000; and 6 percent of wages for businesses with a payroll of \$350,000 to \$400,000.

In a new report, the Congressional Budget Office said that such “pay-or-play requirements” could result in the hiring of fewer low-wage workers.

“Employees largely bear the cost of health insurance,” the budget office said. But, it added, employers cannot reduce wages for workers receiving the minimum wage, so “a play-or-pay provision could reduce the hiring of low-wage workers.” The House Republican leader, Representative [John A. Boehner](#) of Ohio, said it was “criminal malpractice” for Democrats to be pushing “a new small-business tax.” But Democrats said small businesses would be among the bill’s prime beneficiaries.

Mr. Obama and many Democrats in Congress see the proposed government insurance plan as the linchpin of their efforts to slow the growth of health costs and keep insurance companies honest. The government plan would initially pay doctors at Medicare rates plus 5 percent, while for other health care providers, the initial rates would be roughly the same as what Medicare pays.

Jim Rutenberg contributed reporting from Warren, Mich.

Copyright 2009 The New York Times Company

| [Privacy Policy](#) | | [Terms of Service](#) | | [Search](#) | | [Corrections](#) | | [RSS](#) | | [First Look](#) | | [Help](#) | | [Contact Us](#) | | [Wor](#)
