

Public Health Series – Payroll Tax Cut Could Affect Access to Preventative Care

In the United States, chronic diseases, such as heart disease, cancer, stroke, and diabetes account for 7 of every 10 deaths, resulting in three quarters of all healthcare spending being dedicated to treatment of chronic conditions.¹ In an attempt to curb reactionary healthcare spending on chronic diseases and increase public health in the U.S., recent healthcare reform legislation has substantially increased reimbursement and funding for preventative care. Despite this focus, the recently passed Middle Class Tax Relief and Job Creation Act diverts funds away from preventative care to pay for other initiatives; a shift that may inadvertently enhance the costly trend of reactionary rather than preventative care for chronic diseases.

THE PREVENTION AND PUBLIC HEALTH FUND

As a part of the Patient Protection and Affordable Care Act (ACA), the Prevention and Public Health Fund (the Fund) became the first mandatory funding stream dedicated to improving public health in the U.S., with \$15 billion originally to be made available to the Fund between FY 2010 and FY 2019. The Fund was established “to provide for expanded and sustained national investment in prevention and public health programs to improve health and help restrain the rate of growth in private and public sector health care costs.”² In addition to funding programs against obesity, tobacco use, and health disparities, the fund is intended to increase access to preventative care. The Fund addresses access through The Community Transformation Grant program, which provides grants to local communities for development of prevention and wellness services.³ Evidence-based outcomes of similar funding projects suggest that the Fund would likely be successful.

One study found that for each ten percent increase in local public health spending, significant reductions were found in death rates related to chronic diseases, including diabetes, heart disease, and cancer.⁴ Additionally, there was a decrease in infant mortality rates.⁵ Another study estimated that for every \$1 invested in proven community-based preventative programs, returns could yield \$5.60 in future healthcare savings.⁶ Although preventative care has been shown to be beneficial, there is debate over whether such practices are too costly and worth the money spent.

MIDDLE CLASS TAX RELIEF AND JOB CREATION ACT OF 2012

On February 22, 2012, President Obama signed the Middle Class Tax Relief and Job Creation Act into law. Under this new legislation, the amount of taxes taken from wages for social security was set at a rate of 4.2 percent, two percent lower than the 6.2 percent withdrawal rate in effect prior to 2011.⁷ The passage of the act follows a continued pattern of payroll tax cut extensions following the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 and the Temporary Payroll Tax Cut Continuation Act of 2011.⁸

In order to fund this continued tax break, money will be diverted from other programs, including the Fund. Under the tax cut extension, \$5 billion dollars will be cut from the Fund over the next ten years.⁹ In FY 2013 alone, \$250 million in cuts was already made to the Fund. In addition to funding the payroll tax cut, the \$5 billion cut from the Fund will also go towards the recent “Doc-Fix” used to ensure physician payment stability from Medicare reimbursements.¹⁰ For more information on the recent “Doc-Fix,” see Health Capital Topics Vol. 5 No. 2, *Congress Approves “Doc-Fix” to Maintain Medicare Payment Amounts*.

REACTION TO PREVENTATIVE CARE FUNDING CUTS

The Fund is a prime target for cuts as many members of Congress view it as unnecessary and wasteful, mostly due to already existing federally funded prevention methods.¹¹ Additionally, the original amount allocated to the Fund, \$15 billion, is seen by some as excessive considering the current recession and the overwhelming government deficit. Critics of the redirection of preventative funding worry that the money from the Fund will be used to ease the tight budgets of existing programs.

Under the latest tax relief act, the Fund has been cut by nearly one third. Despite the Fund being an easy source of budgetary cuts, such temptation should be avoided. Money spent on preventative care has been shown to obtain net benefits results. Beyond monetary advantages, funding preventative healthcare programs has an overall positive effect on public health and the health of the U.S. population.

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