

## 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.<sup>1</sup> 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.”<sup>2</sup> 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.<sup>3</sup> 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.<sup>4</sup> Additionally, there was a decrease in infant mortality rates.<sup>5</sup> Another study estimated that for every \$1 invested in proven community-based preventative programs, returns could yield \$5.60 in future healthcare savings.<sup>6</sup> 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.<sup>7</sup> 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.<sup>8</sup>

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.<sup>9</sup> 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.<sup>10</sup> 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.<sup>11</sup> 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.

- 1 “The Affordable Care Act’s Prevention and Public Health Fund in Your State” U.S. Department of Health and Human Services, February 9, 2011, <http://www.healthcare.gov/news/factsheets/2011/02/prevention02092011a.html> (Accessed 03/22/11).
- 2 “Patient Protection and Affordable Care Act” Public Law 111-148, Section 4002, 124 STAT 541 (March 23, 2010).
- 3 “Prevention and Public Health Fund: Dedicated to improving our nation’s public health” American Public Health Association, <http://www.apha.org/NR/rdonlyres/63AB0803-AC5B-41BE-82F8-790F446EAA28/0/PreventionPublicHealthfactsheet.pdf> (Accessed 03/23/12).
- 4 “Evidence Links Increases in Public Spending to Declines in Preventable Deaths” By Glen P. Mays and Sharla A. Smith, Health Affairs, Vol. 30 No. 8, July 21, 2011, <http://content.healthaffairs.org/content/30/8/1585.full> (Accessed 03/23/12).
- 5 “Evidence Links Increases in Public Spending to Declines in Preventable Deaths” By Glen P. Mays and Sharla A. Smith, Health Affairs, Vol. 30 No. 8, July 21, 2011, <http://content.healthaffairs.org/content/30/8/1585.full> (Accessed 03/23/12).
- 6 “Prevention for a Healthier America” Trust for America’s Health, July 2008, <http://healthamericans.org/reports/prevention08/> (Accessed 03/23/12).
- 7 “Payroll Tax Cut Extended to the End of 2012; Revised Payroll Tax Form Now Available to Employers” Internal Revenue Service, February 23, 2012, <http://www.irs.gov/newsroom/article/0,,id=254723,00.html> (Accessed 03/22/12).
- 8 “It’s Official: Payroll Tax holiday Extends through 2012” By Ken Berry, AccountingWeb, February 22, 2012, <http://www.accountingweb.com/topic/tax/its-official-payroll-tax-holiday-extends-through-2012> (Accessed 03/22/12).
- 9 “The Prevention and Public Health Fund” Health Affairs, February 23, 2012, [http://www.healthaffairs.org/healthpolicy/briefs/brief.php?brief\\_id=63](http://www.healthaffairs.org/healthpolicy/briefs/brief.php?brief_id=63) (Accessed 03/23/12).
- 10 “Money for Prevention Is First to Go in “Doc Fix”” By Lida Aliferis, The California Report, February 16, 2012, <http://blogs.kqed.org/stateofhealth/2012/02/16/money-for-prevention-is-first-to-go-in-doc-fix/> (Accessed 03/23/12).
- 11 “The Prevention and Public Health Fund” Health Affairs, February 23, 2012, [http://www.healthaffairs.org/healthpolicy/briefs/brief.php?brief\\_id=63](http://www.healthaffairs.org/healthpolicy/briefs/brief.php?brief_id=63) (Accessed 03/23/12).



(800) FYI - VALU

*Providing Solutions  
in the Era of  
Healthcare Reform*

Founded in 1993, HCC is a  
nationally recognized healthcare  
economic financial consulting firm

- [HCC Home](#)
- [Firm Profile](#)
- [HCC Services](#)
- [HCC Experts](#)
- [Clients Projects](#)
- [HCC News](#)
- [Upcoming Events](#)
- [Contact Us](#)
- [Email Us](#)

**HEALTH CAPITAL CONSULTANTS (HCC)** is an established, nationally recognized healthcare financial and economic consulting firm headquartered in St. Louis, Missouri, with regional personnel nationwide. Founded in 1993, HCC has served clients in over 45 states, in providing services including: valuation in all healthcare sectors; financial analysis, including the development of forecasts, budgets and income distribution plans; healthcare provider related intermediary services, including integration, affiliation, acquisition and divestiture; Certificate of Need (CON) and regulatory consulting; litigation support and expert witness services; and, industry research services for healthcare providers and their advisors. HCC's accredited professionals are supported by an experienced research and library support staff to maintain a thorough and extensive knowledge of the healthcare reimbursement, regulatory, technological and competitive environment.



**Robert James Cimasi**, MHA, ASA, FRICS, MCBA, AVA, CM&AA, serves as President of **HEALTH CAPITAL CONSULTANTS (HCC)**, a nationally recognized healthcare financial and economic consulting firm headquartered in St. Louis, MO, serving clients in 49 states since 1993. Mr. Cimasi has over thirty years of experience in serving clients, with a professional focus on the financial and economic aspects of healthcare service sector entities including: valuation consulting and capital formation services; healthcare industry transactions including joint ventures, mergers, acquisitions, and divestitures; litigation support & expert testimony; and, certificate-of-need and other regulatory and policy planning consulting.

Mr. Cimasi holds a Masters in Health Administration from the University of Maryland, as well as several professional designations: Accredited Senior Appraiser (ASA – American Society of Appraisers); Fellow Royal Intuition of Chartered Surveyors (FRICS – Royal Institute of Chartered Surveyors); Master Certified Business Appraiser (MCBA – Institute of Business Appraisers); Accredited Valuation Analyst (AVA – National Association of Certified Valuators and Analysts); and, Certified Merger & Acquisition Advisor (CM&AA – Alliance of Merger & Acquisition Advisors). He has served as an expert witness on cases in numerous courts, and has provided testimony before federal and state legislative committees. He is a nationally known speaker on healthcare industry topics, the author of several books, the latest of which include: *“The U.S. Healthcare Certificate of Need Sourcebook”* [2005 - Beard Books], *“An Exciting Insight into the Healthcare Industry and Medical Practice Valuation”* [2002 – AICPA], and *“A Guide to Consulting Services for Emerging Healthcare Organizations”* [1999 John Wiley and Sons].

Mr. Cimasi is the author of numerous additional chapters in anthologies; books, and legal treatises; published articles in peer reviewed and industry trade journals; research papers and case studies; and, is often quoted by healthcare industry press. In 2006, Mr. Cimasi was honored with the prestigious *“Shannon Pratt Award in Business Valuation”* conferred by the Institute of Business Appraisers. Mr. Cimasi serves on the Editorial Board of the Business Appraisals Practice of the Institute of Business Appraisers, of which he is a member of the College of Fellows.



**Todd A. Zigrang**, MBA, MHA, ASA, FACHE, is the Senior Vice President of **HEALTH CAPITAL CONSULTANTS (HCC)**, where he focuses on the areas valuation and financial analysis for hospitals and other healthcare enterprises. Mr. Zigrang has significant physician integration and financial analysis experience, and has participated in the development of a physician-owned multi-specialty MSO and networks involving a wide range of specialties; physician-owned hospitals, as well as several limited liability companies for the purpose of acquiring acute care and specialty hospitals, ASCs and other ancillary facilities; participated in the evaluation and negotiation of managed care contracts, performed and assisted in the valuation of various healthcare entities and related litigation support engagements; created pro-forma financials; written business plans; conducted a range of industry research; completed due diligence practice analysis; overseen the selection process for vendors, contractors, and architects; and, worked on the arrangement of financing.

Mr. Zigrang holds a Master of Science in Health Administration and a Masters in Business Administration from the University of Missouri at Columbia, and is a Fellow of the American College of Healthcare Executives. He has co-authored *“Research and Financial Benchmarking in the Healthcare Industry”* (STP Financial Management) and *“Healthcare Industry Research and its Application in Financial Consulting”* (Aspen Publishers). He has additionally taught before the Institute of Business Appraisers and CPA Leadership Institute, and has presented healthcare industry valuation related research papers before the Healthcare Financial Management Association; the National CPA Health Care Adviser's Association; Association for Corporate Growth; Infocast Executive Education Series; the St. Louis Business Valuation Roundtable; and, Physician Hospitals of America.



**Anne P. Sharamitaro**, Esq., is the Vice President of **HEALTH CAPITAL CONSULTANTS (HCC)**, where she focuses on the areas of Certificate of Need (CON); regulatory compliance, managed care, and antitrust consulting. Ms. Sharamitaro is a member of the Missouri Bar and holds a J.D. and Health Law Certificate from Saint Louis University School of Law, where she served as an editor for the *Journal of Health Law*, published by the American Health Lawyers Association. She has presented healthcare industry related research papers before Physician Hospitals of America and the National Association of Certified Valuation Analysts and co-authored chapters in *“Healthcare Organizations: Financial Management Strategies,”* published in 2008.