

# CHAPTER NEWSLETTERS

## Society Members Weigh In on Healthcare Plan

By **CHRIS GAETANO**  
Trusted Professional Staff

As healthcare reform works its way through Congress, questions about funding have begun to dog the fledgling proposal. A final draft of the plan has yet to reach the House and Senate floors as of press time, but the Congressional Budget Office tentatively estimates the plan, as it stands now, would cost about \$1 trillion over the next decade. While the initiative would provide health insurance for millions of Americans, its price carries significant tax implications that have divided both lawmakers and Society members alike.

The purpose of the proposal is to help the growing number of Americans with little or no health insurance—according to the Census Bureau, there are roughly 47 million uninsured Americans today. Healthcare spending, meanwhile, has been going steadily upward since the 1960s, the earliest dates for which the Centers for Medicare & Medicaid Services (CMS) have information. In 2007, Americans spent \$2.24 trillion on healthcare, with a per capita expenditure of \$7,421. Nongovernmental healthcare spending accounts for 53 percent of this sum—in 2007, private insurers paid \$774 billion, while out-of-pocket expenses accounted for \$268 billion, according to CMS. Meanwhile, the federal government accounts for 33.7 percent and state and local government make up 12.6 percent.

While the House and Senate versions of the bill are slightly different, the debate primarily concerns some key common features. One is the establishment of a publicly funded healthcare plan, similar to Medicare and Medicaid, intended to be

competitive with private insurance; coupled with this is the creation of a health insurance exchange intended to allow people to comparison shop among private and public insurers.

The creation of a government-run public health plan is supported by most Democrats, though it has worried certain lawmakers, such as Sen. Joe Lieberman, an independent Democrat from Connecticut, and members of the fiscally conservative Blue Dog Coalition, who are concerned that its establishment would have deleterious effects on private insurers, according to the *New York Times*.

NYSSCPA Health Care Committee and Adirondack Chapter member **Sean Curtin** agreed, saying that a public plan would likely be bundled with Medicare in such a way that any hospital or physician accepting Medicare would have to take the public plan insurance as well, which would likely be accompanied with lower nonnegotiable reimbursement rates than what a typical commercial insurer would pay.

"Private insurers do not have the type of leverage necessary to push rates down to such a reduced reimbursement level and simply could not compete with the public option. The other issue is that the public option would likely have government money backing it up, while private insurers would not receive a similar subsidy to remain competitive," said Curtin, who later added that some insurers may opt to get out of health insurance altogether.

On the provider side, Curtin said, the likely lower reimbursement rates would cause drops in revenue, leading hospitals and physicians to cut costs, probably by reducing services and sticking to their more profitable service lines. Noting that some hospitals are barely surviving in the current economic environment, he said that providers would not have the resources to offer the same level of care and services they currently make available, leading some to close their doors entirely.

Nassau Chapter member and Health Care Committee Chair **Gil Bernhard**, however, pointed out that more people having coverage means fewer uninsured patients utilizing emergency services, a big concern for healthcare providers. According to a study released by the U.S. Department of Health and Human Services this past June, the uninsured accounted for approximately one-fifth of the nation's 120 million emergency room visits in 2006.

Bernhard also noted that treating the uninsured is expensive for healthcare providers and that expanding coverage to more Americans can help hospitals and clinics earn more money.

## Upcoming Events

Date	Chapter	Event	Location
Aug. 11	Rockland	Workers Comp and IRS Seminars	Rockland Community College
Aug. 24	Utica	Annual Golf Outing and CPE	Skenandoa Golf Club
Sept. 25	Buffalo	Building the Firm of the Future	Millennium Airport Hotel
Oct. 26	Westchester	Small Business and Tax Conference	TBA
Nov. 20	Rochester	44th Annual Tax Institute	Rochester Plaza Hotel
Dec. 7	Westchester	Individual and Estate Planning Conference	Citibank Executive Center

[Contact your chapter officers for more information on the above events.](#)

"It's a big issue," he said. "In New York state, there is a large amount of uncompensated care for people who don't have insurance and hospitals. Most healthcare providers will see those patients and not get paid or get pennies on the dollar to see those patients."

Bernhard said that his personal opinion was that it's generally easier to deal with the government in regard to reimbursements, noting that insurers all have their own fees and payment schedules; the government, at least with Medicare and Medicaid, has one set of straightforward rules.

Another part of the plan is a mandate requiring all individuals to have health insurance and most employers to provide it. This would make health insurance in America much like car insurance today, including penalties for nonparticipation: Individuals who don't buy insurance by the time the bill goes into effect will need to pay a penalty of 2.5 percent of their income, according to the proposal.

The proposed legislation also prevents insurers from excluding preexisting conditions "or engaging in other discriminatory practices," according to a House Ways and Means Committee report. Further, it will expand Medicaid to more people in low-income populations, as well as "improve" payment rates in order to enhance access.

While the specifics of how, exactly, the country will raise the estimated \$1 trillion to pay for this plan, in general, it seems to involve taxing the wealthiest of Americans and businesses. This is keeping in line with the intentions of President Obama who, even during his campaign, said he wanted to keep the burden away from the middle class. Heavily discussed is a proposed surtax on the wealthy, a key funding component in the House version of the bill. The plan calls for a 1 percent surtax on individuals making more than \$280,000 and families making more than \$350,000. Once income goes past \$500,000 annually, this surtax grows to 1.5 and then steadily goes up the higher one's income goes, culminating in a proposed 5.4 percent surtax on those with gross income exceeding \$1 million.

Jonathan Horn, a Manhattan/Bronx Chapter member who sits on the Taxation

of Individuals Committee, said that this proposed tax structure, along with the expiration of the Bush tax cuts for the wealthiest individuals, would be "an enormous imposition on these individuals." Citing calculations from the Tax Foundation, a fiscally conservative D.C.-based think tank. He said that the top marginal rate in New York state would rise to nearly 57 percent—59 percent in New York City.

"Plus, at least two factors would reduce that revenue that the surtax would generate," Horn said. "First, doctors tend to be high-income wage earners. Since other elements of the proposal would reduce payments to doctors, their income would fall, reducing the surtax revenue. Second, small business owners hit by [an] 8 percent payroll tax would also have lower taxable income and generate less surtax revenue," said Horn.

Given the structure of Medicare and Medicaid, Horn said if the proposed plan resembles these government plans in any way, it might add even more expense to these individuals.

"An issue I haven't seen mentioned is that Medicare premiums are now 'income-based,'" Horn said. "If the new government-run health plan follows the same policy, higher income individuals will get hit a second time. And if the Medicare pattern is followed, the increased premiums will apply to middle-income taxpayers as well."

Overall, Horn was not optimistic about the proposal. He said that the government has "failed miserably" at controlling the costs of Medicare and Medicaid and added that it's not realistic to expect the government to do well at general health.

"Combined with the surtax, payroll penalty and non-coverage penalty, I would expect healthcare costs to increase even faster than they already are under the House proposal," said Horn.

The plan to fund the health plan also contains tax implications for businesses. Under the proposal, certain employers would be required to provide health insurance for full-time employees or face an excise tax. According to the legislation text, this does not affect businesses with payrolls

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## Manhattan/Bronx

# Speakers Give Insight on Profession's Developments

By **TODD ICHIHARA**  
Manhattan/Bronx Chapter President

The accounting profession is changing, and it's changing rapidly. I recently attended a career day for high school students and overheard a comment that half of the accounting jobs today are in fields that did not exist 20 or 25 years ago—when some of us were just graduating from college. It will be exciting to see what new fields will open up for accountants in the future. One of these fields that have grown to prominence in recent years is in the area of forensic accounting.

On May 13, two of our chapter's board members, **Roman Matatov** of



Todd Ichihara,  
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Chapter  
President

MarcumRosenfarb LLC and **Gina Goodenow** of BDO Consulting, presented a session entitled "Not Your Father's Accounting: An Introduction to Forensic Accounting." The session provided an overview of how this field of accounting is used to support the different phases of litigation regarding accounting fraud, bankruptcies and business valuations.

Fraud occurs when one party gains an advantage over another by using false suggestions or suppressing the truth. There are three elements required to prove a fraud has occurred. These are a material false statement, a victim's reliance on that statement and damages realized by the victim. Forensic accounting is used to provide support for litigation regarding fraud. Most of the forensic work occurs during the

discovery phase of a complaint leading to litigation. In the past, people primarily relied on paper trails and interviews with principal players involved in the complaint. Today, a large portion of discovery is collected through computer forensics. The proliferation of electronic documents has given rise to the need for experts in the field of data preservation and restoration. Recovering deleted and fragmented files can be a key component of a forensic investigation.

Another area of forensic accounting includes services provided to support bankruptcy proceedings, such as evaluating alternatives to bankruptcy before the filing, performing a solvency analysis, and investigating unusual and insider transactions. Calculating economic damages is another

service typically offered by forensic accountants, whereby a determination of a business's lost profits is performed to estimate the damages suffered by one entity due to the wrongdoing of another.

Business valuation is another area of accounting that has grown rapidly. The professionals in this field, composed of both accountants and financial analysts, are engaged to appraise a business in connection with litigation and non-litigation based engagements, such as trusts and estates and mergers and acquisitions work.

This session generated a lot of interest from the 50-plus attendees and offered new insights into non-traditional areas of accounting that are growing today.

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### MESSAGE FROM THE PRESIDENT

## Nassau

# Our Most Valued Resource

By **MARK S. WARSHAVSKY**  
Nassau Chapter President

I once overheard a staff person commenting on the positive experiences he had with one of my firm's partners.

The staff person mentioned that this partner took the time to explain things to him and, most importantly, had a very even temperament, despite some very fast approaching deadlines.



Mark S.  
Warshavsky,  
Nassau  
Chapter  
President

No matter how stressful a situation may have been, this partner never seemed to be curt towards him.

While nobody behaves exactly the same during the height of a hectic day as they would while relaxing at the beach, we must try to maintain an even keel as best we can.

It is important to remember that our young staff represents our most valuable resource. They, too, are under a lot of pressure to do the best work possible in order to increase their status within the firm. They also have families

that they have to go home to after a long, hard day at the office. Each and every staff person should be given the same respect that you expected when you were a young accountant, the same respect and patience that my staff person was given by this partner.

It is only through this type of mentoring, guidance and patience do we hope to keep our best candidates in the profession. Putting aside what some may consider self-serving reasons, it is just the right thing to do.

If you take special pride in the cultivat-

ing of our young talent, I urge your firm's participation in our Young CPA's Committee. This committee sponsors several events throughout the year.

I hope everyone is getting a lot of golf and tennis in this summer. Most importantly, I hope we all get a chance to spend some quality time with our families. I am.

I hope to meet more of my fellow Nassau Chapter members over the next few months. It has been a pleasure serving you as president of this energetic chapter.

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### MESSAGE FROM THE PRESIDENT

## Society Members Weigh In on Healthcare Plan

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of \$250,000 or less. Once this sum is exceeded, however, the tax increases by 2 percent for every additional \$50,000 on their annual payroll, with a maximum levee of 8 percent for companies with payrolls of \$400,000 or more.

The Senate version, for now, uses number of employees, rather than payroll, to determine whether and how much an employer must pay in fines if they do not offer insurance. In a letter written by Sens. Ted Kennedy (D - Mass) and Chris Dodd (D - Conn) at the beginning of July, it was explained that firms with more than 25 employees would need to pay \$750 annually for every part-time employee and \$350 for every full-time employee.

The fees and penalties, as well as the health plan in general, said Nassau Chapter member **Joshua Dubrow**—who also sits on the Small Business Outreach Committee—

would be "catastrophic" for small businesses, many of which, he said, are already facing troubles in these vexing economic times. There are also a tremendous number of small businesses that make very small profits to begin with, he said, but employ a lot of people.

"I think this proposal will cause significant job loss in the small business sector due to companies either going out of business or laying off many full-time employees," Dubrow said.

The healthcare plan has attracted the attention of many influential organizations representing different parts of the healthcare industry, both for and against the plan. The American Medical Association has come out in favor of the plan, a change from the last time a major healthcare overhaul was proposed during the Clinton administration. Conversely, America's

Health Insurance Plans, which represents private insurers, has come out against it. While the president said he'd like to have the healthcare plan completed and approved by August, the contentious nature of this proposal has led some to voice concerns over this projected timetable, something Curtin expressed as well.

"Healthcare reform is definitely needed in the United States, but I feel that the current attempts at healthcare reform are too rushed and many details are being overlooked and ignored," Curtin said. "It is a complicated issue because so much of the healthcare market is already fragmented between private insurers and public insurers."

Bernhard, however, said that he is "conservatively optimistic" about the proposal, stating that there are too many people in this country with no health insurance and no means of getting it, though he is con-

cerned that the plan will "get caught up in a lot of politics." Still, he stated that getting more Americans access to more health insurance should, generally, be a positive.

"I don't know if they will do everything they want to accomplish, but if they at least get more people access to some type of health coverage, be it through insurance of a government program or expanding access to insurance, as long as it's a system that people can understand, and it's fair and gives healthcare providers a decent reimbursement, it can only mean positive things," he said. "The number of uninsured people continues to grow and something needs to be done to stop that."

*Chris Gaetano is a staff writer for The Trusted Professional. He can be reached at [cgatano@nysscpa.org](mailto:cgatano@nysscpa.org).*