



For Immediate Release

Contact: Craig Orfield  
(202) 224-6770

Tuesday, October 27, 2009

## Higher Premiums, Higher Taxes: Top 10 Ways Senate Democrat Bills Would Drive Up Health Care Costs

**Washington, D.C.** – In a speech on the Senate floor today, U.S. Senator Mike Enzi (R-Wyo.) highlighted 10 provisions in the Senate Democrats' health care bills that would drive up health care costs for American families.

"This health plan being forced on Americans under phony tight deadlines bites off too much, fails to deliver on promises and passes the costs onto hardworking Americans," Enzi said. "The combination of increased taxes, expensive mandates and new regulations in these bills will actually increase the cost of health care for most Americans."

"We need to enact reforms that will actually reduce costs and make health insurance more affordable. That is what the American people want, but unfortunately, that is not what the current bills actually do."

A video of Enzi's speech will be available at [www.enzi.senate.gov](http://www.enzi.senate.gov).

### Top 10 ways the Senate Democrats' bills would drive up health insurance costs:

1. **Requires young people to pay higher premiums** – Studies show the restrictive new rating rules would increase premiums for young people by 69 percent.
2. **Forces everyone to purchase costly plans** – Requiring everyone to purchase expensive health care plans with high premiums – and not allowing people to choose affordable options that meet their budgets and needs – would increase premiums for new individual purchasers by nearly 10 percent.
3. **Piles on federal mandates** – Forcing everyone to purchase a plan that covers a laundry list of benefits, regardless of what they want or need, would inevitably drive up everyone's costs.
4. **Taxes medical devices** – Nonpartisan experts at the Congressional Budget Office (CBO) have concluded that new excise taxes on medical devices would be passed onto patients, increasing premiums and increasing prices on everything from wheelchairs to pacemakers.
5. **Taxes drugs** – Patients would pay for these taxes too, in the form of higher prices on life-saving prescription drugs and higher premiums.
6. **Taxes insurance providers** – CBO says new taxes on insurance providers would be passed onto patients in the form of higher premiums, as much as \$487 per year for families.
7. **Expands Medicaid and shifts costs** – The bills would force 14 million Americans into the flawed Medicaid program, which four in 10 doctors won't accept because the program underpays providers. Studies show that expanding the program directly increases costs

for everyone else, since doctors and hospitals must make up for their losses under Medicaid by shifting costs to other patients.

8. **Taxes “Cadillac” and union plans** – The new 40 percent tax on high-end “Cadillac” plans would force companies to shift costs to employees or to reduce the value of the health care benefits they provide.
9. **Charges fee to sell plans in the mandated exchanges** – CBO estimates that the surcharges to sell plans in the new exchanges would increase premiums by approximately three percent.
10. **Imposes a new tax to pay for comparative effectiveness research** – The bill would tax patients to pay for new research so that Washington bureaucrats can decide which treatments patients can and cannot receive.

###

Senator Michael B. Enzi  
Floor Statement as Prepared for Delivery  
Ten Ways that the Current Health Care Bill Will Increase Premiums for Americans  
October 27, 2009

Mr. President, this health plan being forced on Americans under phony tight deadlines bites off too much, fails to deliver on promises and passes the costs onto hardworking Americans. When the 85 percent of Americans who already have health insurance hear the term “health care reform”, they expect Washington to do something that lowers the cost of their health insurance premiums. That reaction should not be surprising, since the President and other Congressional leaders have explicitly promised that reform would lower health care costs for the average American family.

Unfortunately, the bills that Congress has developed will do the exact opposite. These bills will actually INCREASE health care costs.

Several recent reports have highlighted what I and some of my colleagues having been saying for months. The combination of increased taxes, expensive mandates and new regulations in these bills will actually increase the cost of health care for most Americans. Unemployment is higher than it’s been in decades, the housing market is in distress, there’s an out-of-control federal debt and deficit—more and more middle class Americans are feeling squeezed by irresponsible decisions being made here in Washington. Unfortunately, the health care bill being put together by the Majority Leader is another example of irresponsible policies.

It is important for the American people to understand how these bills will actually increase health care costs. I would like to highlight ten specific ways these bills will increase premiums for American families and individuals. Taken together, these provisions will increase costs, stifle competition and take choices away from families, individual Americans and small businesses.

Here are the top ten ways the bills before Congress increase health care costs.

One: The two Committee bills rely on taxing the young to pay for the old in what the number crunchers call “adjusted community rating”. This means that the premium charged to a healthy 22 year old will have to increase, to be much closer to the premiums charged to someone who is much older and sicker. This means young people will pay a lot more for health insurance premiums than they do today.

Over 40 percent of the uninsured are between the ages of 18 to 34, the same age group that will be hit with the hardest, with the highest price increases if this bill passes. Experts estimate that in most states, premiums for the youngest 30 percent of the population will increase by 69 percent under the tight age bands being considered in one of the Senate bills. These extreme price increases will force the young and healthy people out of the market. Most young people will probably do the math and decide to pay the new \$750 a year tax penalty rather than pay \$5000 a year (or more) for health insurance. If they get sick later, they can always enroll in health insurance later.

Two: premiums will increase because of the new federally mandated requirements on health plans. The bill will mandate that most health plans have to meet new, higher specified actuarial values. If you don't know the term "actuarial value", you are not alone. Let me put this simply. Actuarial value is a technical term that describes the amount of total health spending that is paid for by the health plan – in other words all of the benefits, and enrollee cost-sharing provisions that a health plan covers. Typically, as actuarial values increase, premiums increase, and cost-sharing requirements decrease. If you're healthy you can't opt for lower premiums or pay a higher co-pay that your government tells you, or you'll pay the penalty.

The bottom line is that experts estimate 50 percent of the individual market policies purchased today and about 20 percent of the policies purchased by small businesses today have actuarial values that are lower than what the Democrats think you should have, which means millions of Americans will be forced to buy more expensive plans. Compliance with these benefit requirements could cause premiums for new purchasers to increase by about 10 percent for individuals and about three percent for small businesses. And for small business three percent is a high rate of profit.

Three: premiums will increase because of the new federally mandated benefit packages. All plans must include a long list of benefits, regardless of what Americans need or want. Why should a 30-year-old single man be required to pay for ovarian cancer screening? Additionally, at least every year, the Secretary of Health and Human Services would be required to define and update, perhaps increase, the categories of covered treatments, items, and services.

Not surprisingly, what this will mean is that the list of mandated benefits will inevitably get longer and further increase costs. If these bills are enacted, every disease advocacy group, drug manufacturer and health care provider will hire more lobbyists to see that all health plans are required to cover their unique diseases, treatments and procedures.

That is no way to run a health care program. I believe that consumers, rather than lobbyists, should decide the benefits package that best meets their needs. Otherwise, you'll have more mandates and higher costs.

If this bill becomes law, I wouldn't be surprised if every plan in America is required to cover massages and acupuncture. I'm not saying people shouldn't be able to get massages or acupuncture, if they want to pay for them, but I don't think all Americans should be required to enroll in plan that covers every single benefit.

Four: premiums will increase because of the new excise taxes on medical devices and drugs. The official scorekeepers at the Congressional Budget Office and the Joint Committee on Taxation have been clear in stating that these taxes will be passed onto patients. That means that consumers will see the prices of everything from power wheelchairs to pacemakers to prescription drugs like Prilosec significantly increase. These price increases will also ultimately also increase health insurance premiums for the millions of Americans

who already have health insurance. You don't use those? Remember insurance is spreading the risk, so you get to pay too.

Five: premiums will increase because of the new excise tax on health insurance providers. Congressional Budget Office and the Joint Committee on Taxation have said these taxes will be passed onto you in the form of higher premiums. This tax alone could raise premiums for families by \$487 a year.

Six: premiums for health insurance will increase when 14 million more Americans are enrolled into the Medicaid program. Several studies have highlighted how Medicaid's inadequate payments to doctors and hospitals directly increase costs for everyone else, by forcing these providers to make up for their losses under Medicaid by shifting these costs onto private purchasers.

The current health reform bills include the biggest expansions of the Medicaid program since it was created in 1965, while doing nothing to address Medicaid's inadequate doctor and hospital payment rates. This will mean that billions of dollars in additional costs will have to get shifted onto individuals who already have health insurance, thereby driving up their premiums. Nearly 40 percent of doctors won't see Medicaid patients because of the low reimbursement rates. If you can't see a doctor, you don't have health care.

Seven: premiums will increase for so-called "Cadillac plans" because of the new 40 percent excise tax. Companies will respond to this new tax by shifting the costs on to you who are the insured or by reducing the value of the health care benefits they provide. Eventually this tax will start hitting Chevys and Buicks—not just Cadillac's. Experts estimate that in many metropolitan areas, the lowest option "bronze" plan under the Finance Committee bill would be considered a so-called Cadillac plan as early as 2016.

Eight: premiums will increase because of the new fee to sell plans in the mandated exchanges. The Congressional Budget Office estimates plans would have to pay a surcharge to sell in the exchange, which would add about 3 percent to premiums.

Nine: premiums will increase because of the new reinsurance program. This new program will cost Americans \$20 billion, and those costs will be passed onto someone, most like the healthy enrollees.

Ten: premiums will increase because of the new tax for comparative effectiveness research. Washington bureaucrats would tax patients so the government can decide which treatments are acceptable and which treatments are denied. We've seen this story before in other countries such as England. We know that this will lead to the delay and denial of care for our seniors. It's no wonder that a recent Rasmussen poll noted that 59% of our nation's seniors oppose the current legislation.

Taken together, the ten policies I just described will cumulatively increase health insurance premiums for millions of Americans who currently have health insurance. It is another squeeze on our nation's middle class. In my home State of Wyoming, a healthy, 35 year old man can currently buy a high deductible policy for about \$90 a month. The scorekeepers at the Congressional Budget Office estimate the silver plan under the Finance Committee bill will be \$392 a month. That is over a 300 percent increase! None of the folks I have talked to from Wyoming can afford to pay 300 percent more for their health insurance. In another economic time this policy would be bad enough, in today's climate it is irresponsible.

We all agree the health insurance market is broken and needs to be fixed. Everyone that wants health insurance should be able to get it, and they shouldn't have to spend their hard-earned savings to get it.

No American should be denied health insurance because they have cancer, diabetes, acne, or some other pre-existing condition. No one should lose their health insurance because they forgot about an old injury when they filled out a form. No one should be denied health insurance, period.

These reforms are very important and long over-due. However, we can do better. These goals should be implemented in a way that drives down costs for the majority of Americans who already have health insurance. Congress needs to learn from the experiences of the states that have already enacted these types of reforms. The states didn't pass reforms with the goal of increasing costs for a majority of their residents, but that is precisely what has happened over time.

Mr. President, We need to enact reforms that will actually reduce costs and make health insurance more affordable. That is what the American people want, but unfortunately, that is not what the current bills actually do.

I yield the floor.

**###**