



Testimony on the Effects of
Health Reform Proposals on Women

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Testimony before the Senate Committee on
Health, Education, Labor and Pensions

October 15, 2009

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Senator Mikulski, Mr. Chairman, members of the Committee, I am honored to be invited to testify before your Committee today on the subject of the effects of the health reform bills on men and women. I have followed and written about this and related issues for many years. I am the coauthor of two books on women in the labor force, *Women's Figures: An Illustrated Guide to the Economic Progress of Women in America*, and *The Feminist Dilemma: When Success Is Not Enough*. I am currently working on a sequel to *Women's Figures*, entitled *Better Women's Figures*.

Currently I am a senior fellow at the Hudson Institute. From February 2003 until April 2005 I was chief economist at the U.S. Department of Labor. From 2001 until 2003 I served at the Council of Economic Advisers as chief of staff and special adviser. Previously, I was a resident fellow at the American Enterprise Institute.

Women are doing better than men in many measurable areas. Women live on average 5.1 years longer than men.¹ In September 2009, men's unemployment

¹ Jiaquan Xu, Kenneth D. Kochanek, and Betzaida Tejada-Vera, "Deaths: Preliminary Data for 2007." Division of Vital Statistics, National Vital Statistics Reports, Vol.58, No.1, August 19, 2009. Available at http://www.cdc.gov/nchs/data/nvsr/nvsr58/nvsr58_01.pdf

rate was 11 percent and women's was 8.4 percent.² Last year women received 58 percent of all BA degrees awarded, and 61 percent of all MA degrees.³ Women have made tremendous progress in labor force participation over the past fifty years: last year their labor force participation was 14 percentage points lower than men's, compared with 46 percentage points lower than men's in 1960.⁴ When demographics, education, work experience, workplace and occupational characteristics, and child-related factors are taken into account, women earn practically the same as men. In order to continue this progress, it is vital that American employers be given the maximum opportunities to create jobs.

Although the leading Democratic healthcare reform bills in Congress — the Senate HELP Committee's Affordable Health Choices Act⁵, the Senate Finance Committee's America's Healthy Future Act of 2009⁶, and the House Education and Labor Committee's America's Affordable Health Choices Act of 2009⁷ — intend to help women, they would leave all Americans, including women, worse off than they are at present. First, everyone, including women, would pay more

² Bureau of Labor Statistics, "The Employment Situation – September 2009", October 2009. Available at: <http://www.bls.gov/news.release/pdf/empstat.pdf>

³ U.S. Department of Education, National Center for Education Statistics, "Digest of Education Statistics: 2008", March 2009.

⁴ Bureau of Labor Statistics and Haver Analytics.

⁵ U.S. Senate "Affordable Health Choices Act". 111th Congress, 1st session. S. 1679. Washington: GPO, September 2009. Available at: http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=111_cong_bills&docid=f:s1679pcs.txt.pdf

⁶ U.S. Senate Committee on Finance, "America's Healthy Future Act of 2009". Available at: http://www.finance.senate.gov/sitepages/leg/LEG_percent202009/100209_Americas_Healthy_Future_Act_AMENDED.pdf

⁷ U.S. House "America's Affordable Health Choices Act of 2009". 111th Congress, 1st session. H.R. 3200. Washington: GPO, July 2009. Available at: http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=111_cong_bills&docid=f:h3200ih.txt.pdf

for health insurance. Second, the higher cost of health insurance premiums would lower cash wages for Americans. Third, those on government plans, such as Medicare and Medicaid, predominantly women, would receive worse care. Fourth, the economy-wide effects of health care reform mandates would discourage job creation and incentives to work by raising taxes.

Everyone, including women would pay more for health insurance.

Young women would have to pay substantially more for health insurance than they do at present because premium differentials for health insurance would be capped. All women would have to pay more due to the government's definition of a qualified plan.

One feature of the health reform bills is that variation in premiums would be limited. Under the House Democrats' bill, for example, the most expensive premium could not be more than twice as much as the cheapest for the same plan, and variation would only be allowed on the basis of age. This means that younger women would have to pay far more in premiums than they would otherwise.

The Baucus bill would require everyone to purchase health insurance or face penalties. Americans with incomes up to 400 percent of the poverty line (currently \$90,100 for a family of four) who are not covered by an employer plan would receive tax credits to purchase health insurance plans in an "exchange."

Plans purchased in the exchange would be Cadillac plans, with generous coverage and no lifetime or annual limits on any benefits. Only Americans under 25 and those who spend more than 8 percent of their income on health insurance premiums would be allowed to purchase “young invincible” plans, catastrophic insurance against major accidents. American men and women would have to pay a far higher cost for health insurance, since plans would have to accept everyone, regardless of health or pre-existing conditions.

It’s easy to see from the Baucus bill why the cost of health insurance is going to skyrocket. According to the Senate Finance Committee, “All plans would be required to provide primary care and first-dollar coverage for preventive services, emergency services , medical and surgical care, physician services, hospitalization, outpatient services, day surgery and related anesthesia, diagnostic imaging and screenings, including x-rays, maternity and newborn care, pediatric services (including dental and vision care), prescription drugs, radiation and chemotherapy, and mental health and substance abuse services. Plans would not be allowed to set lifetime limits on coverage or annual limits on any benefits.”⁸

Half of the Baucus plan would be funded through an excise tax on expensive plans of 40 percent on premiums above \$8,000 for singles and \$21,000

⁸ U.S. Senate Committee on Finance, “Baucus Introduces Landmark Plan to Lower Health Care Costs, Provide Quality, Affordable Coverage” (News Release) September 16, 2009. Available at: <http://finance.senate.gov/press/Bpress/2009press/prb091609h.pdf>

for families, bringing in \$201 billion from 2013 through 2019. Today health insurance premiums cost on average \$4,824 for singles and \$13,375 for families.⁹ CBO's calculates that in 2019, in addition to \$46 billion in excise taxes, Americans would be paying over \$100 billion in higher premiums.¹⁰ Since CBO forecasts increases in excise tax revenues of 10 percent to 15 percent annually after 2019, health insurance premiums must also rise by the same percent annually. This government mandate will amount to a steady drain on American men and women. A memo dated October 13, 2009, from Thomas Barthold, chief of staff of the Joint Committee on Taxation, said "Generally, we expect the insurer to pass along the cost of the excise tax to consumers by increasing the price of health coverage."¹¹

The higher cost of health insurance premiums would lower cash wages for everyone, in particular women. A government mandate for employers to provide health insurance would cause wages to decline, because the costs of the insurance would be passed on to workers, who would see a decline in wages. Alternatively, discussed in the following section, employers would reduce employment, especially for low-wage workers.

⁹ The Kaiser Family Foundation and Health Research and Educational Trust, "Employer Health Benefits 2009 Annual Survey" September 15, 2009. Available at: <http://ehbs.kff.org/pdf/2009/7936.pdf>

¹⁰ Congressional Budget Office. "Letter to the Honorable Max Baucus on the Preliminary Analysis of the Chairman's Mark for the America's Healthy Future Act, as Amended", October 7, 2009. Available at: http://www.cbo.gov/ftpdocs/106xx/doc10642/10-7-Baucus_letter.pdf

¹¹ Joint Committee on Taxation. "Memo from Thomas A. Barthold to Cathy Koch and Mark Prater," October 13, 2009.

Harvard University economics professor Katherine Baicker and University of Michigan economics professor Helen Levy concluded that low-income, minority workers would be the most affected by a government mandate:¹² “We find that 33 percent of uninsured workers earn within \$3 of the minimum wage, putting them at risk of unemployment if their employers were required to offer insurance. ... Workers who would lose their jobs are disproportionately likely to be high school dropouts, minority, and female. ... Thus, among the uninsured, those with the least education face the highest risk of losing their jobs under employer mandates.”

Employers are likely to respond to the higher costs resulting from mandated provision of health insurance by employing fewer workers, or outsourcing jobs overseas. This would be especially harmful for small businesses which employ low-income wage workers at or near the minimum wage since employers cannot reduce these wages to absorb the increased cost. It is no coincidence that this summer’s increase in the minimum wage to \$7.25 hourly¹³ was followed by record teen unemployment rates, the latest almost 26 percent in September¹⁴. Employers laid off the less-skilled workers rather than paying them more than they were worth.

¹² Katherine Baicker and Helen Levy, “Employer Health Insurance Mandates and the Risk of Unemployment,” NBER Working Paper No. 13528, October 2007. Available at: <http://www.nber.org/papers/w13528.pdf>.

¹³ U.S. Department of Labor Wage and Hour Division, “Employee Rights under the Fair Labor Standards Act,” July 2009. Available at: <http://www.dol.gov/esa/whd/regs/compliance/posters/minwagep.pdf>

¹⁴ Bureau of Labor Statistics, “The Employment Situation – September 2009”.

CBO concluded that a requirement for employers to provide health insurance would encourage employers to hire more part-time workers and fewer full-time workers. According to CBO, the creation of different penalties for full and part time workers “would increase incentives for firms to replace full-time employees with more part-time or temporary workers.”¹⁵

According to Ezekiel Emanuel and Victor Fuchs in the *Journal of the American Medical Association*, “It is essential for Americans to understand that while it looks like they can have a free lunch—having someone else pay for health insurance—they cannot. The money comes from their own pockets. Understanding this is essential for any sustainable health care reform.”¹⁶ Peter Orszag reiterated this as CBO director, saying that, “The economic evidence is overwhelming, the theory is overwhelming, that when your firm pays for your health insurance you actually pay through reduced take-home pay. The firm is not giving that to you for free. Your other wages or what have you are reduced as a result. I don’t think most workers realize that.”¹⁷

¹⁵ Congressional Budget Office, “Effects of Changes to the Health Insurance System on Labor Markets,” July 13, 2009. Available at: <http://www.cbo.gov/ftpdocs/104xx/doc10435/07-13-HealthCareAndLaborMarkets.pdf>

¹⁶ Ezekiel J. Emanuel and Victor R. Fuchs, “Who Really Pays for Health Care Costs,” *Journal of the American Medical Association*, March 5, 2008. Similarly, Harvard economist Katherine Baicker wrote, “Employees ultimately pay for the health insurance they get through their employer, no matter who writes the check to the insurance company. The view that we can get employers to shoulder the cost of providing health insurance stems from the misconception that employers pay for benefits out of a reservoir of profits. Regardless of a firm’s profits, valued benefits are paid for primarily out of workers’ wages.” Katherine Baicker and Amitabh Chandra, “Myths and Misconceptions about U.S. Health Insurance,” *Health Affairs*, 2008.

¹⁷ CBO Director Peter Orszag Testimony before the Senate Finance Committee, June 17, 2008.

Those on government plans, such as Medicare and Medicaid, predominantly women, would receive worse care. Medicare recipients, who are primarily women¹⁸, would receive a lower standard of care than they do at present due to cuts in the program. Putting more low-income women into the Medicaid program would give them a lower standard of care.

Nearly 90 percent of the \$404 billion Medicare and Medicaid savings would be from Medicare in the period 2013 to 2019 in the Baucus bill. Thereafter, savings would be expected to continue at the rate of 10 percent to 15 percent. Of all demographic groups in America, elderly women would be the biggest losers under the Baucus plan. CBO estimates that Medicare Advantage plans, popular bundled health maintenance organizations serving 20 percent of Medicare patients, primarily women, would be cut by \$117 billion.¹⁹ Under the heading "Ensuring Medicare Sustainability," more than \$200 billion would be cut from payments to hospitals, elder care, doctors, and hospices. Payments to Medicare doctors would be cut by 25 percent in 2011. A Medicare Commission would propose further cuts.

The government would persuade doctors to cut Medicare costs by associating more tests with lower reimbursements. Ranked in order of spending per patient, every year the top 10 percent of physicians would have their reimbursements cut. Since by definition there would always be 10 percent of

¹⁸ The Kaiser Family Foundation, "Medicare's Role for Women," June 2009. Available at: <http://www.kff.org/womenshealth/upload/7913.pdf>

¹⁹ Congressional Budget Office. "Letter to the Honorable Max Baucus on the Preliminary Analysis of the Chairman's Mark for the America's Healthy Future Act, as Amended".

physicians in the top 10 percent, they would have an incentive to avoid the sickest patients or the specialties with the most tests. Since women are disproportionate users of Medicare, they would be the most affected.

According to the Kaiser Family Foundation, women comprise 69 percent of Medicaid recipients.²⁰ The House Democrats bill plans to expand the Medicaid program to 133 percent of the poverty line in order to cover low-income uninsured workers. Not only would this cause a financial drain on already-strained budgets, but Medicaid does not provide as high a level of care as with many other private plans. Women would be disadvantaged by being put on Medicaid rather than being given a refundable tax credit to purchase a private plan, as has been suggested by Congressman Tom Price.

Many Medicaid patients cannot find doctors who will see them. In California, 49 percent of family physicians do not participate in Medicaid²¹ while in Michigan the number of doctors who do not see Medicaid patients has risen from 12 percent in 1999 to 36 percent in 2005²². Physicians don't want to take Medicaid patients because of low reimbursement and substantial paperwork. A 2009 Health Affairs report indicated that Medicaid physician fees increased 15.1

²⁰ The Kaiser Family Foundation, "Medicaid's Role for Women," October 2007. Available at: http://www.kff.org/womenshealth/upload/7213_03.pdf

²¹ Lisa Backus et al., "Specialists' and Primary Care Physicians' Participation in Medicaid Managed Care," *Journal of General Internal Medicine*, Vol. 16, No. 12. December 2001.

²² Jay Greene, "Committee looks at taxing Michigan doctors to help avert 12 percent Medicaid cuts," *Michigan State Medical Society*, September 22, 2009. Available at: <http://www.msms.org/AM/Template.cfm?Section=Advocacy&TEMPLATE=/CM/ContentDisplay.cfm&CONTENTID=12302>

percent, on average, between 2003 and 2008.²³ This was below the general rate of inflation of 20.3 percent, resulting in a reduction in real fees.

The economy-wide effects of health care reform mandates would discourage job creation and incentives to work by raising taxes. The tax increases in the House bill would disproportionately fall on women, discourage job creation, and reduce the incentives for married women to work.

According to Dr. Jonathan Javitt, adjunct professor of public health at Johns Hopkins University, “Many more women are single parent heads of households than are men. If families are taxed for not having health insurance, this tax is certain to disproportionately penalize single-parent families who are barely making ends meet.”

Health reform is expensive, and some of the bills pay for it through increased taxes. For instance, the House bill relies on income tax surcharges on the most productive workers, bringing the top tax rate to 45 percent, as well as an 8 percent payroll tax on employers who do not offer the right kind of health insurance to their employees. Moreover, anyone who does not sign up for health insurance would face an additional 2.5 percent income tax. Taxes discourage work and investment, thereby reducing employment.

²³ Stephen Zuckerman, Aimee F. Williams, and Karen E. Stockley, “Trends in Medicaid Physician Fees, 2003-2008”, *Health Affairs*, Vol. 28, No. 3, 2009.

Such tax increases would adversely affect married women because their incomes are frequently secondary. It would not only discourage marriage, but also discourage married women from working.

By raising taxes on upper-income Americans to 45 percent, Congress would worsen our tax system's marriage penalty on two-earner married couples, and women would pay even more tax married than single. Unless, of course, women left the workforce, lowering a couple's federal tax rate. Federal taxes are not the whole story. State taxes would take another 9 percent of incomes in states such as Oregon, Vermont and Iowa; Medicare would take another 1.45 percent; and Social Security taxes would add another 6.2 percent up to \$107,000.

The tax penalty for working is even more substantial at the low end of the income spectrum. The staff of the Joint Tax Committee estimated that combined effective income and premium marginal tax rates, including payroll taxes, for poor families of four under the Baucus bill would be substantial, dwarfing rates for upper-income individuals. They would reach 59 percent at 150 percent of the poverty line; 49 percent at 250 percent of the poverty line; 39 percent at 350 percent of the poverty line; and 40 percent at 450 percent of the poverty line.²⁴

When mothers take jobs, earnings are reduced by taxes, in addition to costs for childcare and transportation. This discourages women not just from working, but also from striving for promotions, from pursuing upwardly-mobile

²⁴ Joint Committee on Taxation. "Memo from Thomas A. Barthold to Mark Prater, Tony Coughlan, Nick Wyatt, and Chris Conlin" October 13, 2009.

careers. Mothers are more affected by the marriage penalty than other women because they are more likely to move out of the labor force to look after newborn children and toddlers, and then to return to work when their children are in school.

Our tax system should not make it harder for women to work. The penalty falls both on women struggling to escape from poverty, and on married women who have invested in education, hoping to shatter glass ceilings and compete with men for managerial jobs. Throughout the income spectrum, higher taxes would exacerbate the penalty for working.

Our health insurance system needs to change, but not in the way envisaged by Congress. Rather than mandating one expensive plan, Congress would do better to change the current health insurance tax credit from employers to individuals and allow people pick their own portable plans, as they do with other forms of insurance. That would help women, and men too. It is vital that women's progress in the labor force continue, and the main route to this progress is an abundant supply of job opportunities. As configured, the three plans under consideration today would impede such job creation.

Thank you for allowing me to appear before you today. I would be glad to answer any questions.

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