



Floor Speech of Sen. Chuck Grassley
on the So-Called “Hidden Tax”
Delivered Thursday, Dec. 10, 2009

My Democratic friends have taken to the floor arguing that the Reid bill eliminates a so-called “hidden tax.” What is the so-called “hidden tax”? The Democrats argue that there is a “hidden health tax” that families pay in increased premium costs to cover the cost of caring for the uninsured. In short, when doctors and hospitals provide treatment to the uninsured, they are forced to compensate for this “uncompensated care” and do so by charging more to private health insurers. The cost of this “uncompensated care” that is shifted to the insurers is then passed on to health care consumers in the form of higher health insurance premiums.

Unfortunately this so-called “hidden tax” is over-stated. Families USA conducted a study attempting to quantify the cost-shift associated with “uncompensated care.” According to this study, about \$43 billion in “uncompensated care” is shifted to private health insurers, which lead Families USA to conclude that there is a “hidden tax” of about \$1,100 that families pay in increased premiums.

A Kaiser Family Foundation study dissected the Families USA numbers and estimated that the total amount of uncompensated care costs shifted to private insurers was closer to \$11 billion, making the so-called “hidden tax” around \$200 for a family.

But, let me give some ground to my friends and assume that the “hidden tax” equals \$1,100. The Democrats’ bill does not get rid of the hidden tax entirely. Actually, the Democrats make it worse. How? First, the Democrats’ health care reform bill still leaves a large number of Americans uninsured. Specifically, the Reid bill leaves 23 million out of 54 million without health insurance in 2019. So at best, the Democrats’ reforms cut the “hidden tax” in half. In this case, to about \$500 for a family.

The Reid bill adds in new “hidden taxes.” What are they? The Reid bill imposes \$67 billion worth of so-called “fees” on health insurance companies and self-insured arrangements beginning in 2010. The Congressional Budget Office (CBO) and the Joint Committee on Taxation (JCT) – the nonpartisan experts and official Congressional scorekeepers – have testified that these fees will be passed on to health care consumers. CBO and JCT have further testified that this will result in higher health insurance premiums for all Americans. The actuaries at

Oliver-Wyman estimated that the fees imposed on health insurers would add \$488 to the cost of an average family health insurance policy.

A new “hidden tax” is also created as a result of the Medicaid expansion and Medicare cuts. The major cost-shift in health care derives from the government programs Medicare and Medicaid, which reimburse providers at rates roughly 20% to 40% lower than the private providers.

President Obama understands that paying doctors below market rates leads to a cost-shift. After all, in a town hall on health care reform the President said, “If they're only collecting 80 cents on the dollar, they've got to make that up somewhere, and they end up getting it from people who have private insurance.”

The Medicare and Medicaid cost-shift will be increased significantly under the Democrats' health care reform bills. According to CBO's estimate, Medicaid will be increased by more than 40% - from 35 million people to 50 million people in 2019. Additionally, the bill includes almost a half trillion dollars in Medicare cuts which will result in lower payments to providers. The actuaries at Milliman Consulting studied the current cost-shift resulting from Medicare and Medicaid underpaying providers. Milliman found that this cost-shift from Medicare and Medicaid totaled almost \$89 billion per year, adding \$1,788 to the current family health insurance policy.

Increasing the current Medicare and Medicaid cost-shift as a result of the Democrats' health reforms would add even more cost to a family health insurance policy.

The easier cost-shift to address would be the \$1,700 cost-shift from defensive medicine.

The Democrats do not address the cost-shift from defensive medicine, which Mark McClellan and Daniel Kessler estimated adds \$1,700 in additional cost per average family. Addressing this reform alone could save more than covering all of the uninsured.

So you see, the Democrats say that their bill will eliminate the so-called hidden tax. Well, my friends seem to come up short on that one. Also, my friends add new hidden taxes that will burden middle-class Americans. So I ask my friends to be transparent when they are talking about getting rid of the hidden tax. The Democratic health care reform bill makes things worse. I yield the floor.