Floor Statement of U.S. Senator Chuck Grassley
Ranking Member of the Committee on Finance
Tuesday, October 27, 2009

As I travel around Iowa, I hear a lot of concern about out-of-control government spending and a massive government takeover of our health care system. People are worried that health reform will result in lower quality, less access and government bureaucrats deciding what health insurance you can and can't have. And on top of all that, Gallup released a poll last week saying 49 percent of Americans believe that their personal costs will get worse -- yes, worse, -- after health care reform is enacted. The poll also reported that only 22 percent actually think costs will go down. Less than one-quarter of the people polled actually thought that health reform would accomplish its top priority – making health care more affordable.

I can't speak for my colleagues. I don't know what they are hearing from their constituents. But I know Iowans can't afford to pay more for health care. Costs are already rising three times faster than the rate of inflation. Costs are straining family budgets. And they are making it increasingly difficult for employers to offer health insurance.

And now, the nonpartisan Congressional Budget Office, Joint Committee on Taxation, and even the Office of the Actuary at the U.S. Department of Health and Human Services have told us what the American people already knew, that these massive partisan health care reform bills are going to make the problem worse. Let's look at some of the analyses we've already received from these nonpartisan organizations. According to a September 22nd letter from CBO to Chairman Baucus about the Finance Committee bill, CBO wrote, "*Premiums in the new insurance exchanges would tend to be higher than the average premiums in the current-law individual market.*" So according to CBO, after these bills spend a trillion dollars, many of the people struggling to afford their premiums today will actually end up paying more if this bill is enacted. CBO also commented on how the tax increases would also raise premiums. During the Finance Committee mark-up, Senator Cornyn asked, "*Would [the new fees on health insurers] be passed down to health care consumers?*" Dr. Elmendorf responded by saying, "*Our judgment is that, [the new fees] would raise insurance premiums.*" And the Joint Committee on Taxation confirmed that they came to the same conclusion. During the mark-up, Mr. Barthold said, "*Basic economics is that that fee will be reflected in higher-premium costs.*"

And let's not forget that these new insurance fees begin next year in 2010, <u>3 years</u> before most of this bill takes effect. So it is irrefutable that premiums will go up for every single American starting next year as a result of the bill that came out of the Finance Committee.

The Office of the Actuary with the U.S. Department of Health and Human Services, another non-partisan, highly regarded set of expert analysts, has also looked at some of the Democratic health reform proposals. In a memo released on October 21st, the HHS Office of the Actuary provided an analysis of the House bill, H.R. 3200. In the memo, the HHS Chief Actuary writes that the House bill does bend the growth curve – a top priority for Congress and the White House. But unfortunately, Democratic Leadership and the White House have failed to tell the

American public that it bends it in the wrong direction. According to the HHS memo, health care spending would actually increase if the House bill became law. The HHS Office of the Actuary wrote, *"In aggregate, we estimate that for calendar years 2010-2019 National Health Expenditures would increase by $750 billion, or 2.1 percent over the updated baseline projection."*

And while some of the supporters of these partisan bills may not want to tell their constituents, we all know that as national spending on health care increases, American families will bear the burden in the form of higher premiums. So let me be very clear, as a result of the current pending health care proposals, most Americans will pay higher premiums for health insurance.

Now, some of my colleagues will try to refute this claim by mentioning the taxpayer-funded subsidies included in the health care bills. It's interesting that they don't even try to deny that premiums will go up. They just say the government, or taxpayers, are going to pick up the tab. It is true, the proposals we have seen so far include about a half a trillion dollars in cuts to Medicare and massive tax increases to pay for a new entitlement program. But once again, some of my colleagues fail to mention that most Americans won't qualify for these subsidies.

Most Americans – about 160 million - get their health care through an employer. But if you are one of those people who get their health care through an employer you don't qualify for any subsidy until you spend 10 percent of your income on health care premiums. Now the other side plans to throw as much of your hard earned dollars to make premiums appear affordable. But even with their trillion dollars in spending, CBO has confirmed that in 2019 only about 7 percent of those insured will be getting government subsidies. So even though there will be a huge new taxpayer-funded subsidy program to help pay for these premium increases, most people won't actually qualify for any of that help. They'll just be stuck with higher taxes, less choices and higher health insurance premiums.

Mr. President, some people may wonder what parts of the bill are driving up these costs. We've already identified the new insurance fee. One analysis by the Federal Policy Group concluded that the insurance fee alone could raise premiums up to $500 per year for a family. Then there are the new benefit requirements. Under the proposals we have seen so far, the federal government is now defining what kind of insurance you can buy anywhere in the U.S. This means that it will be illegal for insurers to sell – and for you to buy – many of the policies that people are currently enrolled in. By law, it will be illegal to buy policies that do not meet an actuarial value of 65 percent and cover a long list of mandated benefits. The consulting firm Oliver Wyman has said that since this new federal minimum standard is higher than many of the policies sold today, new enrollees will have to pay about 10 percent more to meet the new government benefit standard. And this is just under the Finance Committee bill. That 10 percent increase in premiums would be much higher under the House or HELP Committee proposals.

Now … once again, the other side of the aisle will point to a "grandfathering policy" that is meant to let you keep what you have. But they fail to mention that this grandfathering policy doesn't count if you ever plan to move … or your insurer stops offering coverage … or you want to change your policy to add vision or dental coverage. If you meet any of those criteria, the promise that you will be able to keep what you have doesn't apply to you. Another factor that will drive up premiums are the new "age rating" rules. These rules set limits on the amount premiums can vary between younger and older enrollees. Some of the proposals that are being considered would tighten this variation so much that it will drive up premiums by almost 70 percent for younger, healthier enrollees. So all those so called "young invincibles" that we need to get into the health insurance pool, all the recent college graduates, will be hit the hardest by the proposed market reforms.

Taking all these factors into account, the Oliver Wyman actuaries also concluded that individuals would pay as much as 73 percent more as a result of policies in the Finance Committee bill. And small businesses could face about a 20 percent increase – which will lead to about 2.5 million less people getting coverage through their small business. We can certainly debate all these numbers. Some may question whether rates will increase by that much. And I'm sure some will question the sources for these studies. Although, I should note that we didn't just take these estimates at face value. In fact, ever since the "Group of Six" meetings, we've had some of the best independent actuaries and insurance experts analyzing this data.

But even the people who want to debate the sources, don't deny the fact that health insurance premiums will go up as a result of the bills we are considering. I'm actually beginning to wonder if the reason no one is denying it is because it is intentional. If these bills drive up premiums in the private market, it makes it a lot easier to push for a government-run plan. A Washington Post story over the weekend reinforced this concern. It said, "*[Senator] Reid's original inclination was to leave the public option out of a final bill … but his liberal colleagues began urging him two weeks ago to reconsider, after insurance industry forecasts that premiums would rise sharply under the Finance Committee bill.*" Let's hope Democratic Leadership and the White House aren't willing to push a bill that forces 200 million Americans to pay higher premiums unless they enroll in the new government plan. But that is certainly what is sounds like.

Mr. President, whatever the motive may be, the facts are undeniable. Health insurance premiums will increase for every individual and small business as early as next year as a result of the pending health bills. It will hit young, healthy people the hardest. It will cause small business to stop offering health insurance. We've heard it from Joint Tax. We've heard it from CBO. We've even heard it from the Office of the Actuary within the U.S. Department of Health and Human Services. I just want to make sure the American people hear it.