



# Committee On Finance

Max Baucus, Ranking Member

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**Opening Statement of U.S. Senator Max Baucus (D-Mont.)  
Senate Finance Committee Hearing  
“Taking a Checkup on the Nation's Health Care Tax Policy: a Prognosis”**

My focus is America's competitiveness. How do we keep America first in the world? How do we create and keep good jobs here in America? How do we help those who are hurt by economic restructuring?

Addressing the high costs and inadequate coverage of our health care system is an important part of the answer. America's high health-care costs make it harder for American businesses to compete in the global marketplace.

GM has become the poster child for high health-care costs. Last year, GM spent more than \$5 billion dollars on health care. This year, GM is expected to spend more than \$6 billion. That is about \$1,500 a car in health care costs. For Toyota, the cost is more like \$500 a car. Negotiated reductions in benefits are expected to reduce GM's costs by about one-third. But that is still far higher than foreign-based competitors.

So, America, we have a problem. We have the highest health-care costs in the world. But we do not have the best outcomes. And we have more than 45 million Americans with no insurance at all. We can, and must, do better.

There is no silver bullet to solve our health-care challenge. I am convinced that improved information technology and pay-for-performance are two important components of any solution. But we must do more.

Today, we examine a major component of our health care system: the tax incentives provided for health care costs. The exclusion for employer-provided health care costs is the single largest tax expenditure in the tax code — more than \$100 billion a year. And that is just the income tax. Payroll tax revenue costs are of a similar magnitude.

This Committee has a responsibility to review the incentives in current law. We need to decide whether the benefits are worth the costs. We need to determine whether changes are necessary. And if so, we need to decide which proposals will improve our system, and which will probably do more harm than good.

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We are here today to understand where we are, and how the tax code fits into moving forward. We face a difficult task. We will hear some concerns with the current tax structure: upside-down benefits, inequitable outcomes. We will also hear that millions of taxpayers benefit from the system, and that we must be thoughtful and deliberate in changing it.

Tax-based options are one approach, and the subject of this hearing. A comprehensive solution no doubt will include other options, as well. We should consider building on Medicare, Medicaid, and the Child Health Insurance Program. These existing programs already provide cost-effective coverage for millions of Americans.

And the world will not stand still while we consider our options. The global economy, the changing nature of a business's relationship with its workers, and advances in medical care mean that what works today might not work tomorrow. Increasingly, our businesses and our workers are asked to be light on their feet, ready for anything that the world throws our way.

The challenge that faces us is to help employers and workers to be light on their feet. The challenge is to make health coverage more affordable and more available, while helping to control costs.

That is too tall an order for tax incentives alone. But tax incentives can be part of the solution.

In other venues, I have been quite clear about my concerns with the administration's proposed expansion of health savings accounts. I am concerned that the administration's proposals move health tax incentives in the wrong direction.

But I want to start this hearing with the hope that we can work together to improve the system. We must be conscious of both the value and flaws of the current system. We must make sure that we don't lose the good, in the search for the better. But surely we must search for the better.

We have a distinguished panel this morning. I look forward to learning from their expertise. And I look forward to working with my colleagues to take what we learn and move forward.

Health care presents a tremendous challenge. I for one am eager to take it on.

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