



Subsidized Health Care is Not Cheaper Health Care

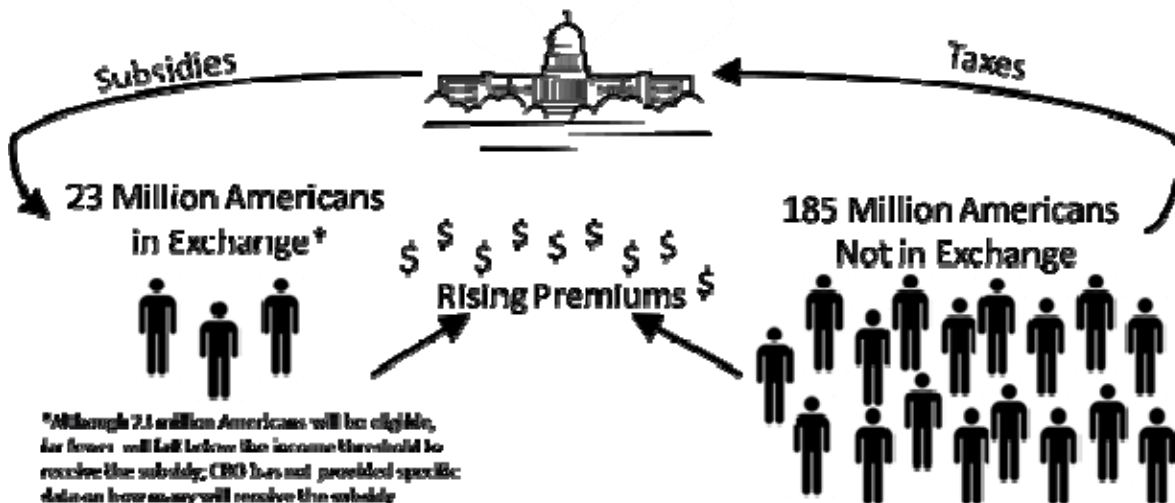
Lowering Costs for Eight Percent of Americans with Access to Subsidized Care Isn't Reform

A principal argument made by Democrats to justify their version of health care reform is that it will lower health care costs for Americans. The reality is that the “reforms” in the bill will raise health care costs for most Americans, while lowering them for some through a subsidy paid for by others.

Multiple analyses have found that the coverage requirements and tax increases under the Baucus bill will increase costs. The Joint Committee on Taxation testified that the excise taxes on health insurance companies will be passed on to policy holders, increasing the price of health care coverage.^[i] The Congressional Budget Office (CBO) wrote that the industry fees “would ultimately raise insurance premiums.” CBO also wrote that because of increased regulations, “premiums in the new insurance exchanges would tend to be higher than the average premiums in the current-law individual market...”^[iii] The actuary firm Oliver Wyman concluded that insurance reforms and required minimum benefit levels in the Baucus bill could drive up family premiums for new coverage by \$3,024.^[iii]

When discussing what will happen to costs for families, Finance Committee staff argued that “tax credits and subsidies lower the cost of health insurance for individuals.”^[iv] However, these tax credits and subsidies will only be available for Americans who receive insurance through the newly created health insurance exchange. CBO has estimated that only 23 million Americans will receive insurance through the exchange where subsidies are available – eight percent of the 282 million non-elderly Americans in 2019.^[v] Of this group in the exchange, only a small portion will have income low enough to receive the subsidy. If you receive health care through your employer you aren't eligible for a subsidy at all, although you pay the higher taxes. It is true that these subsidies will lower the direct cost to families who receive them. But for all remaining Americans, costs for health premiums will go up, driven by new taxes on health providers and new regulations increasing benefit requirements.

The Baucus bill does very little to lower the actual cost of health insurance – instead it taxes most Americans to subsidize others and calls this “cost control.” This doesn't lower costs; it shifts them in a way that is a bad deal for most Americans.



^[i] Senate Finance Committee Mark-up of the America's Health Future Act, October 2009

^[ii] CBO letter to Senator Max Baucus, September 22, 2009, available at: http://cbo.gov/ftpdocs/106xx/doc10618/09-22-Analysis_of_Premiums.pdf

^[iii] "Insurance Reforms Must Include a Strong Individual Mandate and Other Key Provisions to Ensure Affordability," Oliver Wyman, October 14, 2009, available at: <http://www.bcbs.com/issues/uninsured/background/Oliver-Wyman-Report-Showing-Impact-of-Healthcare-Reform-on-Premiums-pdf.pdf>

^[iv] Memo from Finance Committee Staff, re: Response to PricewaterhouseCoopers October 2009 Report, October 12, 2009

^[v] Preliminary Analysis of the Chairman's Mark for the America's Healthy Future Act, As Amended, Congressional Budget Office, October 7, 2009, available at: http://cbo.gov/ftpdocs/106xx/doc10642/10-7-Baucus_letter.pdf; note that while there will be 282 million non-elderly Americans in 2019, 185 million of them will be insured through their employer or non-exchange non-group insurance and therefore ineligible to receive the subsidy. Elderly Americans are excluded from this analysis since they receive health coverage through Medicare.