

timesunion.com

Fix health care? Cut taxes.

By **ROSS W. KRAFT AND DAVID J. REEDY**

First published: Wednesday, September 9, 2009

We agree with Gov. David Paterson that the status quo regarding health insurance in New York is unacceptable. Far too many New Yorkers go without health insurance. Everyone needs some form of coverage.

The governor correctly points out in his Aug. 26 op-ed that health insurance premiums in New York have increased by more than 97 percent since 2000, making insurance less affordable for a growing number of New Yorkers.

But his assessment leaves out one of the largest contributing factors in the skyrocketing cost of insurance: the government itself.

State mandates requiring insurance companies to cover an increasing number of benefits and the recent hikes in state insurance taxes are one of the driving forces behind the increase in the cost of employee-sponsored health care plans in New York.

A portion of every health insurance premium paid in New York goes directly to the state in the form of taxes, including the covered lives assessment, the health care premium tax on for-profit insurance carriers, and indigent care and health care initiatives surcharges. These taxes accounted for more than \$3 billion in the 2007-08 budget. By some estimates, state taxes account for as much as 10 percent of a premium.

Earlier this year, in an effort to close a \$1.6 billion deficit in the 2008-09 budget, the Legislature and the governor made a deal that retroactively raised the covered lives assessment by \$120 million.

The state AFL-CIO calls the covered life assessment a tax that raises the cost of health insurance and is in "direct conflict with the goal of providing affordable, universal health care."

Faced with a \$14 billion deficit for the fiscal year ending March 2010, the Legislature adopted a budget in April that raised taxes on health insurance by another \$580 million. These taxes are passed on directly to those who pay insurance premiums.

If the governor sincerely wants to reduce health insurance premiums, he would be wise to not only stop balancing the budget on the backs of the insured, but to begin looking at ways to reduce health insurance taxes.

State government also raises the cost of insurance by continually expanding the number of benefits carriers must cover. New York is among the states with the highest number of insurance mandates.

According to the annual survey by the Council for Affordable Health Insurance, New York had 51 mandates in 2009, placing it in the top 15 of states with the most mandates. The council estimated that mandated benefits add between 20 and 50 percent to the cost of basic health coverage, depending on the state and its mandates.

It's easy for politicians to require mandated coverage. It satisfies key constituent groups and rarely has an impact on the state budget. While increasing mandates have no direct impact on your taxes, they certainly drive up your insurance premiums.

Mandated benefits cost health insurance carriers and employers money. Those costs are often shifted to the consumer in the forms of increased premiums and cost-sharing requirements, reduced benefits and lower wages. Having the Cadillac of insurance benefits comes with a high cost that keeps many New Yorkers from being able to afford insurance at all.

When the Legislature was considering creating a more affordable state insurance program, it opted for a more limited plan.

The Health Care Reform Act in 2000 created Healthy New York, an insurance plan limited to those who meet income eligibility requirements.

Unlike private insurance, Healthy New York is not burdened by all the costly mandates. The plan does not cover chiropractic treatments, ambulance services, hospice care and some mental health services.

If the governor was serious about making health care more affordable, he would champion legislation that allows consumers to purchase limited but more affordable coverage and he would work toward reducing taxes on insurance premiums. The combined effort would do more than anything else to make premiums more affordable to a larger group of New Yorkers.

Ross W. Kraft is president of the New York State Association of Health Underwriters. David J. Reedy is president of the National Association of Insurance and Financial Advisors-New York State.