

## YOUR HEALTH INSURANCE, YOUR MONEY:

### How Taxes and State Laws Make Health Insurance Cost More Every Year And What You Can Do About It

Why is it that the cost of health insurance seems to go up every year?

You might be surprised to learn that state laws and state budgets contribute to the rise. There are two main areas that the government controls that make your health insurance more expensive.

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### TAXES

Taxes? On health insurance? Yes, it's true. Here in New York State, taxes on health insurance already cost businesses and employees over \$2 billion a year. The 2008-2009 state budget has added \$70 million more to those taxes. Since they become a part of your health insurance premium, this means that the cost of health insurance will go up by the same amount as the taxes.

The state collects a "surcharge", or tax, on those who purchase health coverage. The surcharge, better known as the "covered lives assessment," is a "hidden tax" that is included in your health insurance premium.

Originally, the covered lives assessment levied \$665 million from health plans. However, over the past 10 years, that number has grown exponentially to its current level of more than \$900 million.

Additionally, health insurers pay an 8.95% "surcharge", or sales tax on hospital and other health services. In 2006, this amounted to another \$1.7 billion in payments to New York State.

The taxes are included in the cost of health coverage that a business or individual buys. So whether an employer pays the full premium or an employee contributes money towards their health insurance, those taxes are already included.

Instead of reducing spending to cover budget deficits, the state expects working people and business owners to cover the costs of existing programs. Health care can't get more affordable if the state continues to make it more expensive by increasing taxes on health insurance. Raising these

taxes simply makes health insurance unaffordable for more families and raises the number of uninsured New Yorkers even higher.

### MANDATES

New York State requires health insurance companies to cover a number of services, called mandates, whether the people who buy health insurance will use these services or not.

New York currently has one of the longest lists of health insurance mandates in the nation – with 43 individual mandates already on the books. And now, there are at least 75 more bills with proposed mandates pending in the legislature that could become law this year.

Mandates come in two forms, service mandates and provider mandates. Service mandates mean that a certain service, such as substance abuse treatment, must be covered. Provider mandates mean that treatments by a certain type of provider, such as a chiropractor, must be covered. Nationwide, there are now almost 2,000 mandates. These mandates, depending on where you live, are estimated to increase the cost of an insurance policy between 20 and 50 percent.

Every mandate that becomes a law makes health insurance more expensive because everyone in New York who is covered by private health insurance shares the cost, whether they use the service or not. Each service provided, while extremely important for some, is not necessary for everyone covered on a health insurance plan. However health insurers are forced to include these services in each and every insurance plan offered.

Some states let people choose the type of health insurance coverage they buy based on their health care needs. For example, families may be interested in health insurance that covers the cost of having a baby and doctor visits for their children. At the same time, active young adults who don't visit the doctor very often may only be interested in a plan that covers them for basic services or a medical emergency.

Unfortunately New York State imposes a "one size fits all" concept when it comes to buying health insurance. You can either afford the Cadillac plan authorized by the state or you go without coverage. It shouldn't have to be this way. People should be able to purchase an affordable comprehensive

health insurance plan without all the bells and whistles. As insurance costs increase, employers pay more for coverage. When this happens workers pick up more of the cost, see their benefits reduced or lose coverage altogether. These are the unintended consequences of mandates.

Right now, lots of special interest groups are working hard to get laws passed that will require their services to be covered by health insurance. Acupuncture is a good example. If they succeed, these groups know that there will be lots more business coming their way. For people who pay for their health insurance, this also means the cost of coverage will go up.

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## WHAT YOU CAN DO ABOUT IT

If you have had enough of taxes and mandates contributing to rising health care premiums, there are some simple things that you can do about it. None of them take much time, but your efforts will be well worth it.

### **Write and call your legislators and the Governor**

Your elected officials don't know how you feel about an issue unless you tell them. Luckily it's easy to get in touch with them either by calling, sending a letter or an email. Please be sure to include your contact information so that they can respond to you. Here's how:

#### **Governor Paterson:**

Mail: Governor David A. Paterson  
State Capitol  
Albany, NY 12224

Phone: 518-474-8390

Email: In order to email the Governor, you must visit his Web site and click on the Contact Us icon  
<http://www.ny.gov>

#### **New York State Senate and Assembly:**

Finding your New York State Assembly representative and Senator couldn't be easier. Simply go to the website links below, type in your zip code and you will be taken to their home page where you'll be able to email them directly or get their mailing address and telephone number.

Assembly: <http://assembly.state.ny.us/>

Senate: <http://www.senate.state.ny.us/>

### **Write a letter to the editor at your local newspaper**

Newspapers like to hear what their readers think. If you want to share your thoughts on the effects that taxes and mandates have on the cost of health insurance, look in the editorial section of your local newspaper for instructions on how to submit a letter to the editor.

### **Visit our Web site**

For more detailed information on the cost of health insurance and the issues surrounding it, please visit [www.nysblues.org](http://www.nysblues.org).

### **Sign up for updates**

If you would like to receive updates on important issues about health insurance and your elected officials, please visit [www.nysblues.org](http://www.nysblues.org) to sign up.