

**TAKING A CHECKUP ON THE NATION'S HEALTH CARE TAX POLICY:
A PROGNOSIS**

**Submitted to:
The U.S. Senate Committee on Finance**

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On behalf of the National Council of La Raza (NCLR), – the largest national Hispanic civil rights and advocacy organization in the United States – I submit this statement to you for the hearing entitled “Taking a checkup on the nation's health care tax policy: a prognosis.” NCLR serves all Hispanic nationality groups in all regions of the country and is an umbrella organization with nearly 300 Affiliate organizations, through which NCLR reaches millions of Latinos each year. NCLR is not a direct service organization, but instead works to make macro-level changes in the Hispanic community. During the past decade, NCLR, through its Washington, DC-based Policy Analysis Center, has focused on efforts to improve equity within the health care system by raising the quality of health care for Latinos and other Americans. NCLR’s primary health policy emphasis has been on restoring access to Medicaid and the State Children’s Health Insurance Program (SCHIP) to legal immigrants whose eligibility was restricted as a result of enactment of the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) of 1996 (P.L. 104-193). However, as the health disparities for Latinos and other racial and ethnic groups continue to grow, NCLR is focused on comprehensive transformation of the health care system, which will enable Latinos and all Americans to have access to adequate health care.

Population Trends in the Latino Community

The decennial Census reported that from 1990 to 2000, the Latino community grew by almost 60%. Currently, there are more than 41 million Latinos in the U.S., making up 14% of the total U.S. population. While data show that the general U.S. population is aging, Latinos remain a relatively young group, with a median age just under 27 years old.¹ In addition, Latinos compose a significant and growing part of the U.S. economy, with the highest participation in the U.S. labor force.² At the same time, incomes for Latinos continue to lag behind many of their racial and ethnic counterparts, principally due to low wages and earnings. The average per capita income of Latinos is \$14,106 per year, which is only 56% of the per capita income of non-Hispanic Whites.³ More than one in five (21.9%) Latinos are in poverty and face numerous threats to their well-being. If work supports such as health insurance are not bolstered, future productivity may be hindered.⁴

Health Status Among Latinos

The Latino population currently faces a number of significant health challenges. The most recent National Healthcare Disparities Report concluded that more than half of measured health care access and quality indicators have worsened for Hispanics, when compared to non-Hispanic Whites.⁵ Latinos continue to experience disproportionately high rates of diabetes, heart disease, asthma, and HIV/AIDS among other serious health conditions. Young Latinos, who account for one in every five children in the U.S., struggle with these and other serious health risks, including alarming rates of obesity, teen births, mental illness, and depression. Latinos’ limited health care coverage undoubtedly plays a role in their poor health status and inhibits their access to consistent, quality health care.

Health Coverage in the Latino Community

Widespread uninsurance within the Latino community has had enormous impact on the ability of Latinos to access health care.⁶

Despite their high work participation rates, Hispanics are more likely to lack health insurance than any other group of Americans; for example, one in three (33%) Latinos in the U.S. is uninsured, compared to 20% of non-Hispanic Blacks and 11% of non-Hispanic Whites. Similarly, 21% of Latino children lack health insurance, a rate nearly twice that of any other group.⁷ Recent data from the Agency for Healthcare Research and Quality (AHRQ) also noted that 44.3% of Hispanics experienced at least periodic uninsurance throughout the year, which makes it difficult to receive consistent quality care and to choose appropriate health care options.⁸ There are several reasons why this occurs:

- Low-income families are more likely to go without health insurance. Approximately 43% of low-income Latinos below 200% of the federal poverty level are uninsured.⁹
- Employer-based insurance continues to be the primary source of health coverage for non-elderly persons in the U.S. However, Latinos are far less likely to have employer-based health insurance, because it is not offered in their work setting or is cost prohibitive. In 2004, only 39.8% of non-elderly Latinos had employer-based health insurance compared to nearly seven in ten (68.9%) non-Hispanic Whites.¹⁰
- Public health insurance programs, chiefly Medicaid, are a major source of health coverage for Latinos. However, there are still Latinos who are unable to access these programs because of cultural and linguistic barriers that prevent enrollment as well as legal restrictions to immigrants enacted in 1996.

Health insurance coverage options that enhance access to and quality of health care for Hispanics are surely needed.

Health Savings Accounts and the President's Proposal

President George W. Bush proposes the expansion of Health Savings Accounts (HSAs), a move he says will help address rising health care costs. HSAs are tax-advantaged health care accounts to which individuals with high deductible health plans (HDHPs) can contribute to cover the costs of unreimbursed health care expenses. His proposal expands the structure of HSAs by providing a greater subsidization of HSA contributions. Specifically, the President proposes: increasing the contribution limit to the out-of-pocket maximum for HDHPs and a refundable income tax credit to offset employment taxes on non-employer HSA contributions, providing an above-the-line deduction and income tax credit for HSA-eligible non-group health coverage as well as a refundable credit of 15.3% of contributions to an HSA (to offset certain payroll taxes), and providing a refundable tax credit to lower-income individuals for the purchase of HSA-eligible health coverage.¹¹

The new tax incentives governing high deductible insurance policies and HSA contributions are estimated to reduce revenues by \$156 billion over ten years.¹² However, HSAs are a relatively small portion given overall spending for health care. The President's Advisory Panel on Federal Tax Reform notes that for 2006 alone tax benefits for health care will amount to 12% of all federal income tax revenue, of which a large proportion is attributable to the employee exclusion for employer-provided health insurance and medical care, an estimated \$126 billion.¹³

Principles of Reform

NCLR is highly skeptical that health tax incentives are the sole, or even most important, element of a health care reform strategy to increase Latino access to quality health coverage. However, as the dialogue on health tax incentives moves forward, it should be a top priority to include communities who are uninsured and have much at stake in this debate, including Latinos. NCLR urges the Senate Committee on Finance to consider the principles below:

Effective health care expansions will:

- Reduce existing health care coverage gaps between Latinos and other Americans. The primary goal of health tax incentives should be to ensure improved opportunities for individuals to access quality health care.
- Provide affordable access to health care. Any proposal should facilitate low-income individuals' access to health care coverage.
- Ensure that Latinos have an equal opportunity to exercise an informed choice to participate in expanded health care programs. New health care options should increase the transparency within the health care system. Further, resources should be dedicated to ensure that Latinos, and other underserved communities, can become connected to these programs.
- Ensure equity in health care coverage. Health care expansions should not make Latinos and other Americans vulnerable to adverse selection or other phenomena that expose them to increased health care costs or compromise their access to quality care.

In particular, health care tax incentives should not:

- Undercut existing health care coverage for Latinos. Health care expansions should build upon systems that provide coverage, not erode them. Congress should not offset expansions of health tax incentives by cutting programs that are proven to connect people to health care such as Medicaid and the State Children's Health Insurance Program (SCHIP). Further, efforts to expand tax incentives should be designed in ways that address the high rate of uninsurance for Latinos by bridging the disconnection between Latinos and their employers.
- Displace other Latino health care and tax priorities. Congress should ensure full support of the many effective programs that already address health disparities and promote Latino access to health care. Furthermore, Congress should immediately approve legislation that would increase health care coverage for Latinos, such as the "Immigrant Children's Health Improvement Act" (H.R. 1233, S. 1104).
- Increase the federal deficit. The Congressional Budget Office (CBO) estimates that the total federal budget deficit will persist through 2006 and reach \$336 billion. As noted above, the President's proposal would increase the deficit, and there currently is

insufficient information about how it will achieve cost savings in the provision of health care services.

¹ U.S. Census Bureau, Current Population Survey, *Race and Hispanic Origin*, March 2002. Available online at: <http://www.census.gov/population/pop-profile/dynamic/RACEHO.pdf>

² U.S. Census Bureau, Bureau of Labor Statistics, *Employment and Earnings*, January 2006. Available online at: <http://www.bls.gov/cps/cpsa2005.pdf>

³ U.S. Census Bureau, Current Population Survey, *Income, Poverty, and Health Insurance Coverage in the United States: 2004*, August 2005. Available online at: <http://www.census.gov/prod/2005pubs/p60-229.pdf>

⁴ *Ibid.*

⁵ Agency for Healthcare Research and Quality (AHRQ) *2005 National Healthcare Disparities Report*. Available online at: <http://www.qualitytools.ahrq.gov/disparitiesreport/2005>

⁶ AHRQ, *op cit.* Uninsured Latinos are less likely than other Americans to have a primary care doctor or have an ongoing relationship with a doctor. A U.S. Census study noted that more than two-fifths (43%) of Latinos had not seen a doctor in the past year.

⁷ U.S. Census Bureau, Current Population Survey, *Income, Poverty, and Health Insurance Coverage in the United States: 2004*, August 2005. Available online at: <http://www.census.gov/prod/2005pubs/p60-229.pdf>

⁸ AHRQ, *op cit.*

⁹ Kaiser Commission on Medicaid and the Uninsured, *Health Insurance Coverage in America: 2004 Data Update*, November 2005.

¹⁰ *Ibid.*

¹¹ Department of Treasury, *General Explanations of the Administration's Fiscal Year 2007 Revenue Proposals*, Washington, DC: Government Printing Office, 2006. Leonard Burman, *New Healthcare Tax Proposals: Costly and Counterproductive*, Tax Analysts: Tax Notes, February 13, 2006.

¹² Leonard Burman, *New Healthcare Tax Proposals: Costly and Counterproductive*, Tax Analysts: Tax Notes, February 13, 2006.

¹³ President's Advisory Panel on Federal Tax Reform, *Report of the President's Advisory Panel on Federal Tax Reform*, U.S. Government Printing Office, November 2005.