



U.S. SENATE COMMITTEE ON

Finance

SENATOR CHUCK GRASSLEY, OF IOWA - CHAIRMAN

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Opening Statement of Sen. Chuck Grassley, Chairman
Hearing, "Taking a Checkup on the Nation's Health Care Tax Policy: A Prognosis"
Wednesday, March 8, 2006

The issue we're examining today could not be more important. We face a national health care challenge that we must confront. The stakes are high. Our ability to compete in the global economy and maintain our leadership in the world is, quite literally, at risk. In case anyone has any doubts about that, let me give you a few facts. As a nation, we are expected to spend \$2.1 trillion on health care this year. That represents about 16 percent of our overall economy. Over the past decade, health care inflation has averaged nearly 7 percent per year – about three times the normal inflation rate. A new report estimates that if we continue on the current path, national health care spending will have increased to \$4 trillion by 2015, amounting to 20 percent of our overall economy.

Clearly, this is not sustainable. We must chart a different course. Because of the sheer scope of health care in our economy, many different policy areas intersect. Many of those policy areas fall within the jurisdiction of this committee. Today, we will focus on the impact of our nation's tax policy on our health care system. And there can be no question that tax policy does indeed have a major impact. Tax preferences for health care are by far our single largest tax expenditure. In 2005, the health care tax expenditure equaled \$177.6 billion. Over the next 10 years, it is estimated that the health care tax expenditure will total nearly \$2 trillion – and that's right – that's trillions with a "t". We're used to dealing in big numbers here at this committee, but even in the context of our massive federal budget, \$2 trillion is a staggering amount of money.

With the help our distinguished panel, we're going to have an opportunity today to look at our existing tax incentives and to ask a simple question – "Are we getting our money's worth?" That's an important question, and one that folks on both sides of the aisle have been too quick to ignore. They've said that the answer is more tax subsidies. Instead of charging down that path, however, we need to take a step back. Too often here in Washington, people try to solve problems by throwing money at them. We want to believe that if we just spend more money or provide more tax subsidies, our problems will magically disappear. But we also know that, over the long-term, these easy solutions just don't work. Before we add more tax subsidies, we first should look to see if we can make the incentives we have today work better. We also need to look at this issue through two different lenses – both the health policy lens and the tax policy lens. From a health policy perspective, we have to ask, "Do our current tax incentives make sense? Are they helping to maximize coverage, reduce costs, and improve quality?" From a tax policy perspective, we also must ask if our current tax incentives make sense, "Are they fair? Do they help produce a good policy result? And do the benefits outweigh the costs?"

This is the first time that the Finance Committee has held a hearing on health tax issues since 1994. It is long overdue. I hope this hearing marks the beginning of this Committee's work to strengthen our nation's health tax policy. Among all of the facts and figures that I gave at the beginning of my remarks, there is one more that I should have mentioned – and it is one to which we all should pay close attention. A recent NBC/Wall Street Journal poll shows that nearly 9 out of 10 Americans view the issue of health care costs as extremely or very important. That puts health care on par with the war on terror and Iraq. The American people know we have a problem. And they want solutions, not empty rhetoric or partisan mud-slinging. This committee has a tradition of solving problems. That's why most of us got on this committee in the first place. On this issue, we must work together. We must give it the serious attention it deserves. And most importantly, we must find common-sense, real-world solutions for the American people.