

Testimony of Senator Mike Folmer
Senate Finance Committee Hearing: SB 1182 & SB 1189
10:00 a.m., Wednesday, August 27th
Lebanon County Conservation District

Senator Browne, **thank you** for the opportunity to talk about Senate Bill 1182 and Senate Bill 1189, two elements of my health care plan that are designed to address Pennsylvania's health care problems.

Whenever you talk about the issue of health care, there are three main areas that need to be addressed; they are:

- Cost;
- Quality, and;
- Access

The main problem with health care in both Pennsylvania and throughout the nation is that health care costs too much. In looking for ways to reduce health care costs, we are faced with two very different approaches. One approach would increase government's role in health care, which I oppose. The other approach would decrease government's role in health care, which I support.

Government involvement – or interference – needlessly skews the price of insurance. Look at what has happened in other states and nations that have increased government's role in providing health care:

- Massachusetts boasts that it has reduced the number of uninsured by half, with four out of five relying on government programs that are costing Massachusetts about \$150 Million more per year.
- Canadians wait months for health care: six months for a hip replacement, five months for a CAT scan, up to a year for heart surgery. Some die waiting. No wonder 8 of 10 Canadians say their system is in crisis.
- Great Britain's National Institute of Health estimates roughly 1 Million people wait for care, with about 200,000 waiting as long as 6 months.

American and Pennsylvania health care has many flaws. Looking to government to address these flaws is simply not the answer. We should not confuse lack of health insurance with a lack of care. American health care remains the envy of the world. We need to find ways to make it more affordable while preserving quality.

If we really want to reduce health care costs, we need to begin by taking needless costs out of our health care system, things like:

- Eliminating government imposed mandates
- Promoting Health Savings Accounts
- Establishing a high risk pool

- Establishing means tests for Government health care programs:
 - Adult Basic
 - CHIP
 - Medicaid
- Enacting additional medical malpractice reforms
- Allowing out-of-state health insurers to better compete in Pennsylvania
- Establishing tax deductions and tax credits for people who pay for their own health care
- Phasing out the MCARE Fund

These proposals are part of my “Healthy Pennsylvania” plan: Senate Bill 1181 through Senate Bill 1196. Two of these bills, SB 1182 and SB 1189 were referred to the Senate Finance Committee. Let me comment briefly on both bills.

SB 1182: Promote Health Savings Accounts (HSAs):

Health Savings Accounts (HSAs) were created by federal law in 2003 as privately owned savings accounts funded with pre-tax dollars. HSAs are similar to 401(k) retirement plans, but rather than allowing people to save for future retirement expenses, they allow people to save for future medical expenses.

HSAs are popular with the previously uninsured. Government-subsidized health insurance programs tend to attract those who are already insured. Because HSAs rely on “qualified high-deductible” health plans, they cost less and reduce spending.

In 2005, the average HSA high-deductible single coverage premium was \$2,772. The average premium for all other single coverage plans was \$4,024.

The average HSA high-deductible for family coverage was \$6,955, while the average premium for all other plans was \$10,880.

Senate Bill 1182 would promote HSAs by providing tax credits for small businesses with HSAs.

SB 1189: Establish Tax Deductions/Credits for those who Pay for Health Care:

With the ever-increasing costs of health care, more and more people (especially retired people) are covering all or a portion of their health costs. SB 1189 would do this by extending tax deductions and tax credits:

- Health Insurance Premium Deduction: authorize 100% of the amount paid for non-reimbursable, qualified health insurance premiums to be deducted from a taxpayer’s Pennsylvania taxable income
- Health Insurance Tax Credit: allow self-employed taxpayers (who are otherwise ineligible for the federal income health insurance tax deduction under federal law) to receive a tax credit

I hope that both SB 1182 and 1189 as well as the other elements of both my “Healthy Pennsylvania” plan and “HealthNet PA” will be part of the ongoing health care debate.

In the interim, let me say once again: having more government in our health care system is simply not the answer. To the contrary, the answer to reducing health care costs is less government.

Government run medicine doesn’t work. Single payer systems don’t work. There is never enough money to do all the things that people want or need. We would constantly be looking at ways to either impose higher taxes or cut services.

My “Healthy Pennsylvania” plan is like fingers on a hand; individually, they have little impact. However, collectively, they form a fist that would fight back at the increased costs, the decreased availability, and the diminished quality of our current system.

This is important to keep in mind as the Committee considers SB 1182 and 1189. Individually, they will not significantly reduce the costs of health care, ensure quality of care, or improve access to care. However, these bills do represent another tool in the toolbox of our health care system.

As Christian Shalters will tell you shortly, there are a number of hurdles in promoting Health Savings Accounts. Christian is Chair of the Lebanon Valley Chamber’s Health Care Work Group and he works in the health insurance business. Each day, both Christian and the Lebanon Valley Chamber are in the trenches trying to help their members secure affordable – and quality – health care coverage for employers and their employees.

As Christian will note, HSAs can help to lower costs while ensuring quality. However, they require some time and effort to educate employers and their employees. Like Christian, many have found that when you run the numbers, HSAs represent a “win-win” situation for both those who pay for health care and those who receive the benefits of health care coverage.

I think that you will find Christian’s testimony enlightening and helpful in your deliberations on SB 1182 and 1189.

In the interim, I would be happy to answer any questions that you may have on these bills.