United States Senate
Committee on Finance

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Opening Statement of Sen. Chuck Grassley
Hearing, "47 Million & Counting: Why the Health Care Marketplace is Broken"
Tuesday, June 10, 2008

I'd like to begin by thanking Senator Baucus for holding this hearing and our witnesses for joining us today. I'm looking forward to the Health Care Summit next week. We are doing some good work setting the groundwork for reform. I know a lot of people are critical of the way our health care systems covers people. The truth is, we don't really have a health care coverage system, at least not like other countries do. What we have is a patchwork of government incentives and government interventions. If you are in the military, if you are a senior, if you are a veteran, if you are poor or disabled, the federal government provides coverage for you. Otherwise, your coverage is most likely provided by your employer. For 158 million of Americans, the incentive the federal government provides to encourage employers to provide coverage is working.

But for approximately 47 million Americans without coverage, giving employers an incentive isn't working. The vast majority of the uninsured are employed. I'm looking forward to hearing our witnesses discuss this problem and ways we might improve it. If your employer doesn't provide coverage or if you are self-employed, you have to go out into the individual market to get health care coverage.

As we well know, currently, the individual market is simply not viable for millions of Americans. I'm looking forward to hearing our witnesses discuss this problem and ways we might improve it. Finally, we have the problem of coverage not being adequate for those who have it. We all know the consequences of not having enough or any insurance coverage in terms of health status. What is particularly alarming are the financial consequences for people with inadequate or no insurance when they seek treatment at a hospital for life threatening conditions like cancer.

A recent Health Affairs study showed that self pay patients including the uninsured are charged two and one-half times more for hospital care than insured patients. But that's just the beginning. Some hospitals even require payment upfront from the uninsured or undersinsured before they provide treatment. The Wall Street Journal recently exposed this practice at a prominent institution, M.D. Anderson of Texas. Mr. Chairman, I would like this article to be made part of the record.

We are going to be hearing testimony from Mrs. Lisa Kelly, a former school bus driver who was diagnosed with acute leukemia and was advised by her doctor to receive urgent care at M.D.

Anderson Cancer Center. We are going to hear her tell us about the hospital's upfront collection policy. She'll tell us about the actions of a hospital that I think many of us would find outrageous. The troubling thing about her story is that these were actions taken by a hospital that is funded through taxpayer dollars and charitable gifts.

I guess I shouldn't have been shocked given what was uncovered by my staff's investigation of hospitals that purport to provide care for the neediest in society and receive significant tax benefits for doing so. In addition to not paying income taxes, non-profit hospitals receive tax-deductible contributions, issue tax-exempt bonds and receive exemptions from state and local property and sales taxes. In addition to not paying income taxes, non-profit hospitals receive tax-deductible contributions, issue tax-exempt bonds and receive exemptions from state and local property and sales taxes. This committee heard testimony that these hospitals receive benefits of more than $40 billion annually for the care they are supposed to provide. These benefits were granted to hospitals back at the turn of the last century when hospitals were the only places where the poor could go when they were sick.

The enactment of Medicare in 1965 and the explosion of the insurance market since then has resulted in incentives for hospitals to treat only paying patients. The current environment is no different than where we were over a hundred years ago. Back then, people with money had private physicians who made home visits. The poor received treatment at alms houses supported by philanthropy. The only difference now is that many of those former "alms houses" have become rich institutions that believe they no longer need to serve the poor to reap all the benefits of their tax-exempt status.

I raise this issue again because as we talk about the tax incentives for health insurance, I want us to also consider the billions of dollars of tax-benefits conferred to nonprofit hospitals. Given that the majority of our country's hospitals are operating as charitable institutions, any discussion of health care reform should consider their role in the market. As we move forward on health reform, we need to look at all the incentives the federal government has in place – particularly those in the tax code – to make certain that they are serving people who need health care coverage.