



**Testimony by The Latino Coalition
President Robert Garcia de Posada before the
House Energy & Commerce Health Subcommittee
on February 28, 2002**

My name is Robert Garcia de Posada and I am the President of The Latino Coalition. The Latino Coalition was established in 1995 to address policy issues that directly affect the well-being of Hispanics in the U.S. The Coalition's agenda is to develop and promote policies that will enhance overall business, economic and social development of Hispanics.

When it comes to health insurance, according to the U.S. Census Bureau, the highest uninsured rate in the U.S. is among people of Hispanic origin. Over one third, or 34.2% of Hispanics were uninsured compared with only 12% for non-Hispanic whites. U.S. Hispanics also have the largest percentage of the working uninsured at 37.9% compared to only 14.9% for non-Hispanic whites. Foreign-born immigrants were even worse off with more than half without health insurance. According to the Commonwealth Fund, in small- to medium-sized companies with fewer than 100 workers, 63 percent of white workers have health benefits compared with 38 percent of Hispanic workers.

There is a strong relationship between un-insurance and the kind of employment a person has. The reason is simple: Most Americans get their health insurance through their place of work. Moreover, in getting their health insurance through the workplace, they are also eligible to get large and, under current law, unlimited federal tax breaks for the purchase of health insurance. There is no such tax relief for workers who get health insurance outside the workplace or for workers and their families who cannot get employer-based health insurance.

Today, 65 percent of the uninsured are in working families where the breadwinner works full time. Because Hispanic workers are heavily concentrated in the service industry and in small businesses — working for firms that do not or cannot offer them health insurance coverage — they are disproportionately found outside of the normal channels of health insurance in the United States.

People who are working should not be discriminated against by the federal tax code in their purchase of health insurance simply because they buy a policy outside of their place of employment. There is a better policy. The best option to expand health insurance for Hispanic workers is to give them direct tax relief, either in the form of tax credits, if they are paying taxes, or vouchers — in effect, refundable tax credits —if they do not have taxable income. This will establish equity in the tax code and the health insurance market, reduce the need for these families to depend on government insurance programs like Medicaid or other forms of public assistance, expand health insurance coverage, and mainstream millions of uninsured Hispanic workers into America's private insurance market.

The health insurance market in the United States is uniquely job based. All Americans, both employers and employees, get tax relief if and only if they get their health insurance coverage through their place of employment. If the employer offers health insurance, the employer gets unlimited tax relief in the form of a tax deduction as part of the cost of doing business. Likewise, under this arrangement, employees also get unlimited tax relief for purchasing health insurance through their employer. But, instead of a tax deduction, an employee gets what is technically called a "tax exclusion" on the value of the job's health benefits. If an employee does not get his health insurance through the place of work, he gets little or no tax relief; indeed, the federal tax code punishes workers who buy health insurance outside the workplace by making that worker buy health benefits with after-tax dollars. For most workers, this cost is a huge disincentive for obtaining health insurance on their own.

The main reasons so many Hispanics do not have health insurance are they generally have lower incomes and they work for smaller firms. Employment and income level are the leading indicators of health insurance coverage in this country. The lower the income, the more likely a worker will not have coverage. If they are working independently or with a firm that does not provide health insurance, they simply do not have coverage because they cannot afford it. Small firms with fewer than 25 employees are the least likely to provide employment-based health insurance. Based on the 1990 Census, odds are that Hispanic workers--with a per capita income of only \$10,773 and a solid majority employed by small businesses, particularly the service industry--will not be offered health insurance at the workplace and will not be able to afford it on their own.

If a worker is employed by a large corporation, the chances are that both the benefits package and the tax benefits are very generous. However, if a worker is middle- or low-income and is employed by a smaller company, the tax benefits are less generous. Low-skilled workers often do not work for large companies or command a wage that enables them to buy health insurance, and they get little if any government assistance in purchasing it. If a worker decides to purchase individual policies, they will soon realize it is prohibitively expensive. This is the problem facing America's working poor.

At The Latino Coalition, we strongly support policies to promote equality and equity between employer-based health insurance coverage and consumer-based coverage. We are here to call on Congress to end the discrimination that exists against people who buy health insurance outside the place of business.

Most Americans are personally familiar with such cases. But, for purposes of illustration, consider Martha Sanchez, a single mother of two in Miami. Martha works as a receptionist for a small law firm, earning approximately \$10 per hour. Her employer does not provide health insurance, and she cannot afford to buy an individual health insurance policy.

This is the case for many Hispanic workers. They are not poor enough to qualify for Medicaid, but are too poor to afford private health insurance. In addition, there is a high degree of mobility in the Hispanic workforce. And, as noted, the current system of employment-based health insurance is simply leaving too many working people who have families and are willing to work without affordable insurance.

There is another angle to all of this, one that never crossed our minds until we read the results of a recent study commissioned by Consejo de Latinos Unidos. This study found that public and private hospitals are taking advantage of self-paying uninsured Latinos throughout the Greater Los Angeles area. After a careful analysis of their hospital bills, the study found that these uninsured group was being charged almost five times the amount that hospitals would charge health maintenance organizations (HMO). When you read the testimonials and the findings of this study, you truly understand why groups like our have focused most of our efforts in trying to address the uninsured crisis in this country, and particularly in the Latino community.

So what can Congress do to help someone like Ms. Sanchez get health insurance?

First, enhance tax incentives for individuals without access to employer-sponsored coverage. You can enact refundable tax credits or vouchers to help low-income workers purchase health insurance. In order to make these tax credits truly accessible to low-income workers and small businesses, we believe that these tax breaks could be blended into the withholding system. In other words, allow the worker to withhold the cost of health insurance from the payroll tax, in order to afford insurance. We should also offer employers the authority to pay this premium if they wish. We salute President Bush and the bipartisan group of senators and representatives who have signed on to support refundable tax credits for the uninsured. This is without a doubt the most important initiative that Congress can undertake if they seriously want to improve access to affordable health insurance.

Second, Congress should support the President's initiative to expand our Community Health Centers. These centers are in many cases the first line of defense for many uninsured Latinos across the country. However, while we expand the network of community health centers, we should also develop a stronger public education campaign to promote the existence of these centers, particularly in underserved communities.

Third, Congress can equalize the tax laws so that associations and community-based organizations have the same tax breaks as large businesses, when they provide health insurance. This would promote a more community-based insurance system that would have a better understanding of the community they serve. Don't forget that health patterns in our population are not the same. For instance, in the U.S. Hispanic community, there is an instance of diabetes, three times the level of the population at large. Having organizations and doctors who understand these differences are critical to provide cost-effective services to their customers.

Last year we strongly supported the bipartisan efforts of Congressmen Lipinski and Shadegg to permit Individual Membership Associations to offer mandate-free health insurance (H.R. 4119). This effort would allow community-based groups, churches and advocacy organizations to offer individual health insurance to its members. This legislation required that these IMAs offer at least two health insurance choices to its members, including one that is mandate-free. According to the Council for Affordable Health Insurance, we can expect a reduction in price of approximately 20-25% with this initiative. But aside from the reduction in cost, what makes this plan so attractive is the ability of community-based groups and churches to reach out to underserved communities in a much more effective way than current government health programs.

Fourth, Congress should eliminate the obstacles to pooling. This will help promote more affordable, accessible and accountable coverage for consumers. The Latino Coalition strongly supports Association Health Plans, as a way to reduce the cost of health insurance and offer small business a mechanism to pool together to increase their bargaining power.

Fifth, Congress should allocate additional funds for Medicaid programs in states that have been disproportionately affected by the current recession. We salute the efforts by Congressmen Brown and King to increase Medicaid spending. We would encourage Representatives Brown and King to include provisions in their bill to guarantee that doctors have the necessary flexibility to take the best care of their Medicaid patients, particularly in the area of prescription drugs.

However, we oppose current legislative efforts to expand Medicaid as a main tool to address the uninsured crisis. For the past three years, The Latino Coalition has been battling severe cuts in Medicaid services at State legislatures across the country. At a time when most states are gutting the services available to Medicaid patients, it would not be financially responsible to add millions of new patients into this program. This would make the program less stable financially and would force more severe restrictions on much needed services for our most vulnerable citizens.

Sixth, Policymakers must make health insurance affordable for people who can't qualify for health insurance because they have a preexisting condition. The Latino Coalition believes sick people cannot be left out of the world's greatest health care system and must have access to affordable health insurance.

Yet, there are only two ways to provide coverage to uninsurable individuals: (1) guaranteed issue or (2) health insurance safety nets. One works, the other doesn't.

- ? **Guaranteed issue.** Guaranteed issue means that anyone can get health insurance at anytime regardless of their health condition. This means that people can actually wait until they are sick before they buy health insurance, giving people an incentive to opt out of the health insurance pool. When people opt out and are guaranteed coverage at any point, rates escalate in an actuarial death spiral. This is what happened in New Jersey after the state legislature enacted guaranteed issue. ***According to the New Jersey Department of Insurance, family rates for a \$500 deductible plan now range from \$3,170 a month to \$17,550 a month!***

Guaranteed issue has not succeeded in making rates affordable for families, especially those who need access to our health care system.

- ? **High Risk Pools.** Health Insurance Safety Nets, or high risk pools as some refer to them, are the best and most affordable way to provide coverage for individuals who are otherwise uninsurable. A Health Insurance Safety Net is a special state-based, privately funded comprehensive health insurance plan. Currently, 29 states have safety net plans, and approximately 127,000 people were covered by these plans last year. The way they work is pretty simple: The enrollees pay a premium, and these premiums are usually capped so the enrollee has price protection. To help fund the safety net plan, the state usually assesses insurance companies based on the amount of business they conduct in that state.

On February 14, Republicans and Democrats voted to send \$120 million to the states to help existing safety nets plans and to establish one in those states that currently do not have one. The Latino Coalition supports that initiative and applauds those members of Congress who voted to help sick people get affordable health insurance.

Seventh, Congress can promote changes in our tax laws to help low-income workers and small businesses have access to affordable health insurance. For example,

- ? Small businesses could get a tax credit that could be phased-in beginning with the smallest firms of fewer than 10 employees;
- ? Individual purchasers of health insurance and the self-employed should be able to fully deduct the cost of premiums;
- ? Employee contributions for health insurance should not be considered taxable income: and,
- ? Tax credits should be made available for risk pools sponsored by the private industry.

Finally, we cannot ignore the fact that reducing regulatory burden and government mandates, reforming liability laws, and promoting personal responsibility are also key components of any solution to this problem.

Access to affordable health insurance is a problem that disproportionately affects the U.S. Hispanic community. The Latino Coalition strongly commends this committee for addressing this issue, and we look forward to working with you to break down the barriers and build the necessary bridges to improve the access to affordable health coverage for the uninsured.

Thank you.

For more information on The Latino Coalition, please visit our website at www.TheLatinoCoalition.com or call us at 202-546-0008. Our offices are located at 725 Massachusetts Avenue, N.E., Washington, DC 20002.