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## **COMMENTARY ON HB 977: Tax Cuts for the Insurance Industry Will Do Little to Help Georgia's Uninsured**

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On the 40<sup>th</sup> and final day of the 2008 Georgia Legislative session, the state Senate came to an agreement with a House proposal to give a sweeping tax break to insurance companies selling high deductible health plans. Based on the fiscal note for these provisions, House Bill (HB) 977 would extend \$146 million in tax breaks to insurance companies over the next 5 years, though if you believe the coverage gains touted by the proponents of the legislation, the benefits to the insurance industry, and the costs to state and local governments, would be far greater.

Unfortunately for all Georgians, however, the bill passed by the Legislature does not meaningfully address the fact that most of Georgia's 1.6 million individuals without health insurance simply cannot afford it. Rather, HB 977 will do little more than motivate individuals who already have health insurance to switch to a different type of product.

Make no mistake, this bill was not about health coverage. Health insurers are already selling high deductible health plans, and while only a small number of individuals choose these products over traditional, comprehensive coverage, consumers have plenty of access to these products. Instead, this bill provides a significant tax break to insurance companies – a tax break that will increase insurance industry profits on plans that are already in place.

Proponents of HB 977 stated that it would cover 500,000 uninsured Georgians, yet have provided no numbers to support this assertion. Certainly, the experts who calculated the official fiscal note did not forecast such coverage gains. Closer analysis of this fiscal note indicates that coverage gains could be closer to 7,500 – merely 1.5% of the amount claimed by supporters. This is because the bulk of the benefits of this legislation flow directly to insurance companies, while the modest \$250 small business tax credit pales in comparison to the actual cost of health insurance, which averages roughly \$10,000 for family coverage in Georgia. Regarding the employer tax credit, the fiscal note stated that, “the expected take up in insurance due to this provision is small.”

While debates on the likelihood of significant coverage gains never took place at the capitol, one thing is for certain – should even a portion of the stated coverage gains actually occur, the tax cuts to the insurance companies would far exceed the \$146 million estimated in the fiscal note.

While many states across the country continue to pursue meaningful coverage expansions targeted at low-income children, families, and other uninsured populations, Georgia's answer to all policy troubles continues to be tax cuts. Supporters of HB 977 admitted that it is “no silver bullet” and that high deductible plans “are not for everyone.” On these points they are correct, yet sadly they fail to grasp how meaningless these tax cuts will be for the vast majority of the 1.6 million uninsured Georgians who will

still be unable to afford health insurance, and who will continue to watch as health insurers rake in staggering profits.

The current economic slowdown and the resulting effect on state revenues will make it difficult to fund the Medicaid and Peachcare programs even without a tax cut such as is contained in HB 977. What do we say to the low-income pregnant women, children, elderly and disabled who might lose coverage while insurance companies are lining their pockets with tax breaks? Healthcare reform in Georgia needs more voices at the table than just the big insurance companies and the brokers who sell their policies. For these reasons the Governor should veto HB 977.

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For a more detailed discussion of the provisions of HB 977 and the health policy implications of encouraging high deductible health plans, please see the recently issued GBPI reports titled *Analysis of HB 977: High Deductible Tax Incentives and Insurance Law Changes*, which can be found [here](#), and *Examining the Effects of Legislation Promoting High Deductible Health Plans*, which can be found [here](#). Both reports can also be found at [www.gbpi.org](http://www.gbpi.org).

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