NATIONAL TAXPAYERS UNION

November 19, 2025

Chairman Mike Crapo
Ranking Member Ron Wyden
U.S. Senate Committee on Finance
219 Dirksen Senate Office Building
Washington, DC 20510

Dear Chairman Crapo, Ranking Member Wyden, and Committee Members,

On behalf of National Taxpayers Union (NTU), the nation's oldest taxpayer advocacy organization, we write to express our concern that the structure of Obamacare has unintentionally created strong inflationary pressures on our nation's health care system. The large-scale expansion of federal involvement in the American health care system created incentives for insurance companies to increase costs without concern for price competition or government oversight, while not providing clear improvements to the overall health of Americans.

In particular, the "temporary" Biden-era increases in premium subsidies went against what was originally envisioned by the authors of Obamacare, who expected enrollees to pay a portion of premiums based on income. The Biden-era expansion provided no-cost premium coverage to enrollees with incomes well over the federal poverty line. This opened a pathway for the rampant growth of "phantom" health insurance accounts for thousands of Americans who do not even know they have them, greatly increasing costs for the taxpayer, while mainly benefiting the insurance companies who are paid to do nothing.

According to the Paragon Health Institute, more than one-third of all Obamacare health exchange enrollees filed zero claims in the most recent calendar year, with the number bumping up to 40% for fully subsidized plans. This represents a significant difference from the average rate of zero-claim accounts in private plans of 15%. This large variation reveals a high likelihood that many of these may be phantom accounts: health insurance coverage for individuals who do not realize they actually have coverage. Even after controlling for possible explanatory variables like age of enrollee, the high variation still exists. This strong difference does correlate, however, with states that have higher percentages of fraudulent accounts.

The expansion of phantom accounts happened because of the introduction of zero-premium plans in an environment marked by lax oversight of the market, which created incentives for "lead generators" and brokers to coach applicants to misstate income to maximize received benefits. Sometimes these brokers enrolled people without consent. As a result, millions of taxpayer dollars are being spent on health benefits that were neither expected nor necessarily even wanted.

According to Paragon, over $35 billion was sent by the U.S. Treasury to insurers for people enrolled in no-cost premiums who did not file a claim in the previous year. According to HHS, over 1.6 million people are covered by both Medicaid and an exchange plan, while over 12 million people are covered by no-cost plans without any claims filed. On top of this, the Treasury Department also estimates that only 18% of subsidized enrollees were actually in an income range that qualifies them for these benefits.

These no-cost plans that were greatly expanded in the Biden era had strong inflationary effects on insurance costs, while also lowering pressure to limit excess utilization rates. Simply allowing more low-cost premiums—at the cost of the average cell phone bill—to return to enrollees over the poverty line would likely lower health care costs, while increasing appropriate utilization by enrollees. It would help root out fraudulent and phantom accounts, and greatly lower taxpayer costs going forward.

There are other issues that are also contributing to inflationary impacts on medical costs that should be considered as well. For example, new tariffs on goods including medical devices, personal protective equipment, and pharmaceuticals have increased healthcare costs. The Trump Administration recently reduced tariffs on several agricultural products to strengthen the U.S. economy and national security. This approach should be applied to medical goods as well. We also request that you consider looking at flawed reimbursement structures underpinning upcoding in Medicare Advantage and implement site-neutral payments for outpatient services in Medicare. The upward pressure on costs these payment distortions generate is unmistakable. In Medicare, a study found that, in 2021, the average reimbursement for drug administration services was a colossal 129% to 211% higher in hospitals than in independent doctors' offices.

We urge the Committee to take a close look at these issues, and to help set a path forward for Congress to improve health outcomes at lower costs for taxpayers. While we are supportive of President Trump's and Senator Cassidy's call for redirecting any continuation of this COVID-era spending toward taxpayer-held accounts that could provide more consumer choice in health care decisions, we request that this spending be offset by spending reductions elsewhere. In an era of massive federal deficits, even continuations of temporary spending should be offset. Taxpayers would save over $450 billion over the next 10 years if President Biden's temporary COVID credits were allowed to expire, and we should try to protect this opportunity to reduce our nation's debt.

Thank you for holding this important hearing. If you have any questions regarding our comments, please do not hesitate to reach out to us.

Sincerely,

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