National Taxpayers Union

April 2, 2010

An Open Letter to the Oklahoma House: Reject SB 1616
Tax Hikes Won't Improve Oklahoma Families' Health, Wealth

Dear Representative:

On behalf of the National Taxpayers Union's (NTU's) 362,000 members nationwide and our more than 4,700 members in Oklahoma, I urge you to vote "No" on SB 1616, which would establish a new tax on health carriers. Although supporters portray this legislation as a way to help the cash-strapped state government provide more funding for uninsured individuals as well as secure additional federal money, the bill could actually lead to a number of undesirable outcomes.

Clearly, Oklahoma faces serious budget problems. We would contend, however, that these difficulties are rooted more in the expenditure side of the state's ledger than the revenue side. For example, a study of economic data from 1990-2008 conducted by University of Central Arkansas Professor Noel Campbell for the Oklahoma Council of Public Affairs showed that real social services spending in the state grew by over 101 percent. This is higher than four of Oklahoma's neighbors as well as the average for all 50 states. Yet, over that same period total tax revenue in Oklahoma rose faster than the U.S. average; in some specific categories such as corporation income taxes, Oklahoma also beat all or some of its neighbors. As a result, Campbell concluded, the Sooner State often experienced lagging performance in important economic indicators such as private-sector output and job creation. This was especially true relative to Texas.

Although this is but one of several studies that would tend to confirm a link between bigger government and worse economic growth, it hints at another underlying issue of equal importance: no "tax on business" is without consequences for consumers or workers. The language of SB 1616 calls this new tax of 0.5 percent on all claims payments a "health carrier access charge." In reality, hundreds of thousands of insurance policyholders would pay this tax in the form of higher premiums or out-of-pocket costs when providers are forced to cut back on benefits or lay off employees to remain in business. Insurance market innovators, such as mail-order pharmacies, would be penalized for delivering convenient and cost-effective options for customers.

Meanwhile, the true cost-drivers of health care in Oklahoma – stagnant, one-size-fits-all public programs – would remain virtually unreformed. Recently enacted federal legislation is already sending fiscal ripples through state capitals across the country, from Columbia, SC to Phoenix, AZ, as lawmakers face a flood of new federal mandates that will wash over their best efforts to stem the tide of red ink in their budgets. NTU believes that state officials should be seeking ways to limit Washington's power over their health care budgets instead of hoping to obtain federal Medicaid funds whose ultimate value has probably been diminished by Congress's recent legislation.

Oklahoma lawmakers could choose a number of reform paths that have better promise than SB 1616. For example, the Georgia House of Representatives recently voted to open its individual health insurance market to plans offered in other states, provided that the plans are licensed by Georgia's insurance commissioner and describe all of the benefits they will provide. This would give individuals who cannot get health insurance through their employers more and less costly options for coverage. Other states, ranging from Indiana to West Virginia to Minnesota, have pursued changes to their health programs that tackle wasteful expenditures, empower consumers, and help to expand the net of coverage to the uninsured.

In short, adding to the state's fiscal burdens by passing SB 1616 is not, and should not be, the only choice for House Members. NTU encourages you to consider more prudent options for facilitating health care for Oklahomans.

Sincerely,

Pete Sepp
Vice President for Policy and Communications