

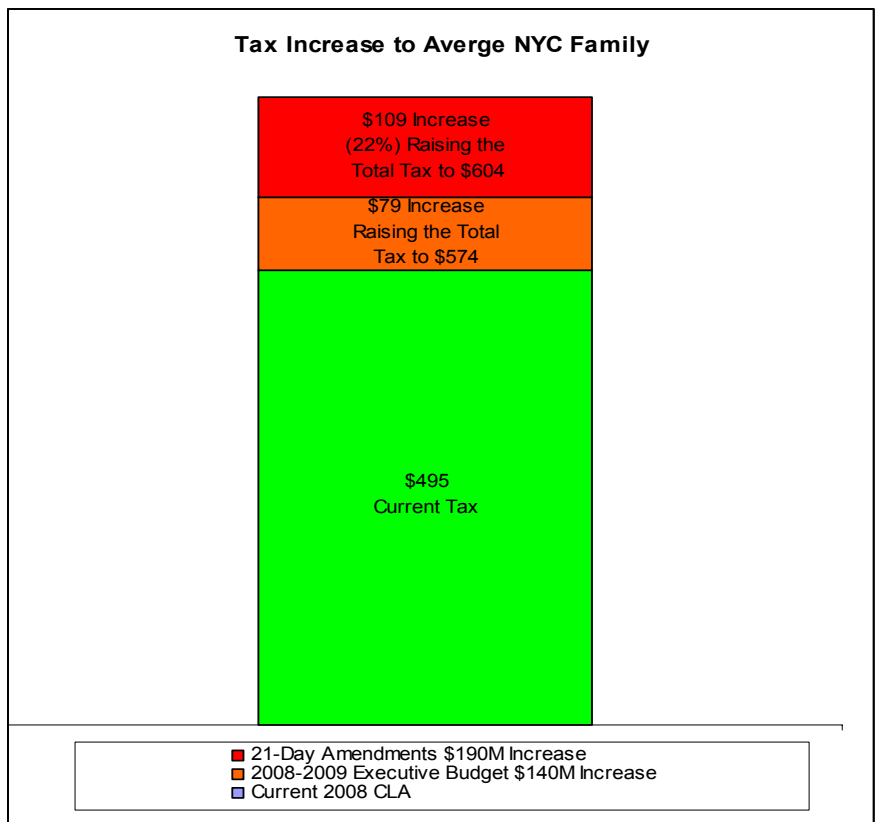
MEMORANDUM IN OPPOSITION

FOR IMMEDIATE RELEASE: March 4, 2008

Re: Executive Budget - \$190 Million Increase in the Covered Lives Assessment.

The New York Health Plan Association (HPA) opposes the Governor's Executive Budget proposal, which increases the covered lives assessment by \$190 million to a new annual total of \$1.04 billion. This \$190 million increase, a 22% increase for fiscal year 2008-2209, constitutes the single largest increase in the tax's history. HPA objects to this tax increase for the following reasons:

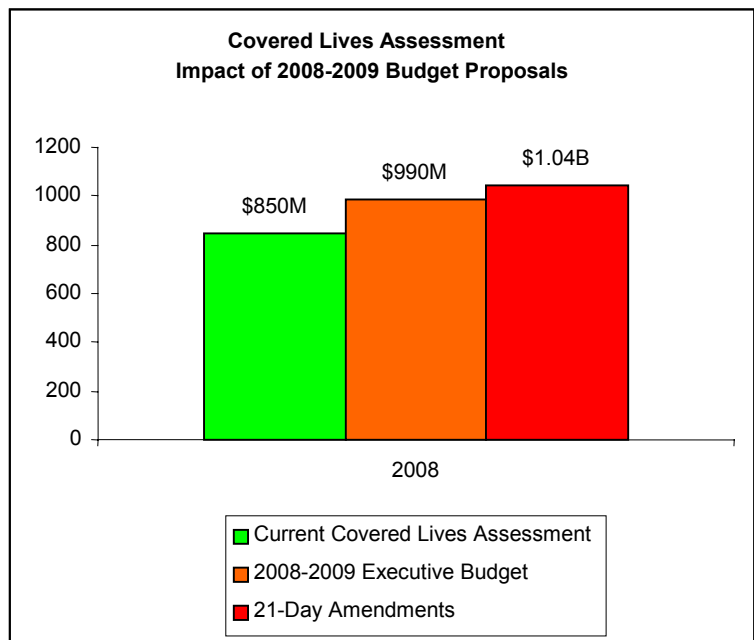
1. The covered lives assessment is a direct tax imposed on the premiums paid by individuals and families. The intent of the covered lives assessment when it was first imposed in 1997 was to create a mechanism to help fund a portion of the costs of graduate medical education (GME). Since 1997 the tax has been increased six times, with two of the largest increases occurring in each of the previous two fiscal years. When this tax was first imposed, nearly 75% of the revenue from it was actually spent on GME. With each consecutive increase in the tax, the revenue it has generated has resulted in larger sums being used for General Fund obligations so that today less than 50% of the funds are used for GME.
2. In New York City an average family insurance policy is currently taxed \$495 annually for purposes of the covered lives assessment. The Executive Budget will add almost \$110 to this tax for which there were no added health benefits.
3. The covered lives assessment increase disproportionately taxes



those who can least afford it. Such as:

- a) Small businesses struggling to provide employee coverage.
- b) Small businesses and individuals who purchase coverage through government subsidized products like Healthy NY.
- c) Sole proprietors – an “at risk” group of small businesses who have been targeted for special assistance on subsidies.
- d) Individuals who purchase their insurance directly. New York’s mandated individual, direct-pay product is already extraordinarily expensive – a family policy in New York City ranges in price from \$24,000 up to \$58,000 – and adding a \$600 tax on top of this adds insult to injury.
- e) Child Health Plus parents who pay all or a portion of the premium in order to provide their children with health coverage.

4. At a time when the leadership of the Department of Health and the Department of Insurance are holding hearings, gathering data and modeling programs to move New York State to affordable universal coverage, adding \$190 million results in higher health insurance costs and new burdens on consumers and employers, making health insurance unaffordable and exacerbating the number of uninsured New Yorkers.



Conclusion

For these reasons, HPA opposes this Executive Budget proposal, as it will lead to increased costs for consumers and employers when New York should be focusing on how to lower health care costs while expanding access to affordable health care.