



TAX WATCH '04

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Some key facts to consider:

- These taxes were supposedly needed to shore up a declining hospital industry. But hospital employment statewide rose by nearly 8,000 between January 1997, when the Health Care Reform Act took effect, and January 2003.
- The budget “cleanup” legislation Governor Pataki and the Legislature approved in September included tens of millions in additional tax dollars for health-care workers.
- Roughly \$700 million of New York’s health-care taxes supports doctors who benefit from training here but leave the state to practice in New Jersey, Florida and elsewhere.
- Another big beneficiary of the HCRA money is hospital union leader Dennis Rivera. State funding and higher hospital employment mean more money for the union. Rivera is thus better positioned to pursue what he says is his top priority — defeating President Bush.

NEW YORK STATE’S TAXES ON HEALTH CARE: A HUGE – AND HIDDEN – BURDEN ON BUSINESS

Health insurance is expensive in New York — and becoming more so every year.

That’s not news to employers, who pay most of the premiums; nor to employees, most of whom pay ever-rising costs as well.

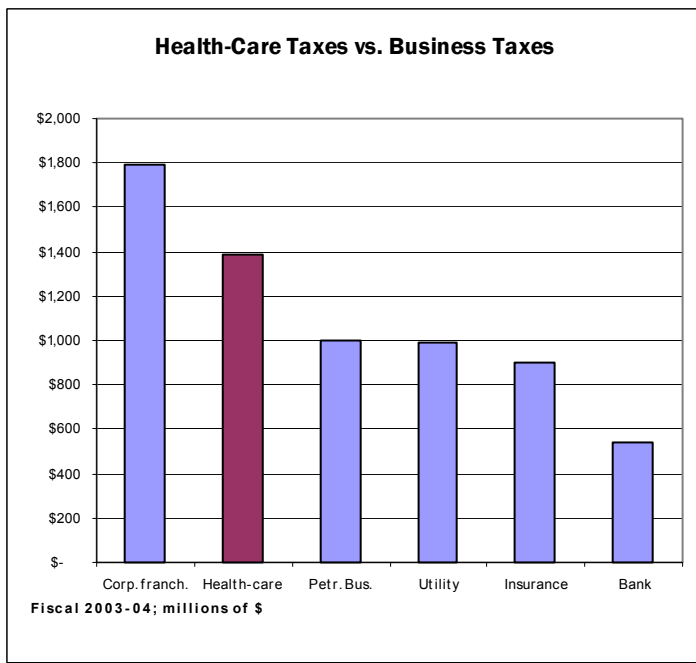
What most New Yorkers probably do not know, though, is one of the major reasons health insurance is so expensive here: taxes imposed by Albany.

Employers and individuals will pay New York State an estimated \$1.4 billion in taxes on health insurance this year. These taxes make health coverage more expensive — one reason 18 percent of New Yorkers lack any health insurance, compared to a national average of 16 percent.

Albany’s taxes on health insurance are also a huge hindrance to the state’s business climate — they’re the second-biggest state tax on employers, behind only the corporate franchise tax.

What are these taxes?

First, there’s a \$650 million tax on private health insurance. The rate varies from region to



region, ranging as high as \$383 a year for family coverage in New York City. The tax amounts to a 13th monthly premium each year for employers (or for individuals who buy their own insurance).

Then there’s the \$700 million the state collects from health plans and self-insured

employers, essentially as a sales tax on hospital and other services.

Governor Pataki and the Legislature first imposed the health-care taxes in 1996 as a “temporary” measure. Nearly eight years later, New Yorkers are still paying.

THEY’RE TRYING TO KEEP THE SPENDING A SECRET, TOO

It’s not just the health-care taxes that are hidden — buried in insurance bills where no one sees them. State leaders have done their best to keep the spending a secret, too.

When the Health Care Reform Act was adopted, Governor Pataki and the Legislature agreed to keep most of the spending “off-budget.” That

means the people who are paying these taxes can’t find out what is being done with our money.

In a revealing report published in April, state Comptroller Alan Hevesi said that in Fiscal Year 2001-02, some \$1.7 billion out of \$2.5 billion in HCRA funds had been spent “outside the traditional contract

and budget process.” Often there is no competitive bidding, the comptroller’s report said, and there is no way of assuring that contract terms are proper, or are being met before payment is made. In fact, the report said, it isn’t even possible to determine if all the money is being spent.