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SAMUEL D. CHILCOTE, JR.
President

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MEMORANDUM

TO: The Members of the Executive Committee

FROM: Samuel D. Chilcote, Jr. 

This week, the House Ways & Means Committee and the Subcommittee on Select Revenue Measures held hearings on a range of aspects concerning health care reform.

The hearings did not focus on tobacco excise tax issues directly. However, Chairman Rostenkowski (D-IL) questioned South Carolina Governor Carroll Campbell on Wednesday about providing incentives for tobacco growers to switch to other crops. Campbell addressed the negative impact of the tax on the economies of tobacco-producing states and indicated some assistance will be needed.

Following are summaries of each congressional hearing.

Tuesday, December 14

The House Subcommittee on Select Revenue Measures of the Committee on Ways & Means convened to discuss "selected tax provisions in the Administration's Health Security Act." Tobacco excise tax-related issues were not raised during the hearing.

Chairman Charles Rangel (D-NY) was the only Member in attendance. Rangel heard testimony from a representative of the Treasury Department and three panels of witnesses; written statements are on file and are available upon request.

During his statement, the Administration's witness referenced smoking in the context of community care services. Maurice Foley, deputy tax legislative counsel, Treasury Department, discussed the proposed tax treatment of non-profit health care organizations and the delivery of charity care, including preventive services, under the Clinton plan.

Foley indicated that 501(c)(3) entities such as hospitals would be required to develop and implement plans to increase community care. This requirement would be met by improving health or reducing costs of health care in the community. Reducing the

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number of smokers in the community was identified as one way for a non-profit hospital to justify its 501(c)(3) status.

The first panel discussed the Administration's proposal as it pertains to the tax-exempt status of 501(c)(3) hospitals. Witnesses included Texas' assistant attorney general, Robert S. McIntyre, director, Citizens for Tax Justice, and representatives of the American Bar Association and the Catholic Health Association of the United States.

Representatives of the National Association of Counties, the Greater New York Hospital Association, the Volunteer Trustees of Not-for-Profit Hospitals and the Shriners Hospitals for Crippled Children appeared on the second panel. They argued in favor of rigorous accountability standards for health care providers to earn and retain 501(c)(3) status.

Two witnesses testified on the final panel, representing the Blue Cross and Blue Shield Association and the Health Insurance Plan of Greater New York. They also addressed the tax-exempt status of health care providers.

Wednesday, December 15

Chairman Dan Rostenkowski (D-IL), presided over Ways & Means Committee hearings on the effect of health care reform on the national economy. The 17 Committee members in attendance heard testimony from the eight scheduled witnesses; copies of the statements are available upon request.

South Carolina Governor Carroll Campbell and Vermont Governor Howard Dean appeared before the Committee on behalf of the National Governors' Association (NGA). Campbell and Dean addressed the role of state governments under the proposed Clinton health plan, asking that states be permitted to oversee program design and administration.

The Chairman raised one tobacco-specific issue during the question-and-answer period following the NGA testimony. Rostenkowski asked Campbell if it would be helpful to allocate a share of the proposed 75-cent-per-pack cigarette tax to assist tobacco farmers in making a transition to growing other crops. Campbell said five or six tobacco states will most likely suffer adverse economic impacts, including lost jobs. "There will be the type of impact that probably will require some assistance to go over to other crops during this period," Campbell stated.

Rep. L.F. Payne (D-VA) stated for the record his strong opposition to tobacco tax increases, which the Administration has

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proposed to fund health care reform. Payne expressed concern about the impact the huge increases would have on the thousands of tobacco farmers in his District.

Witnesses appearing on the first panel -- Barry Bosworth, The Brookings Institution, Eugene Steuerle, The Urban Institute, and Uwe E. Reinhart, Princeton University -- expressed concerns about the Clinton health care plan.

Bosworth criticized the community rating element of the plan, saying it would be "economically difficult to achieve." Steuerle added that incentives for assuming responsibility for one's health should be added to the health package.

According to Steuerle, "If insurance policies are not allowed to offer lower costs to individuals who exercise or who don't smoke, then the number who don't exercise and do smoke can be expected to be higher. A way out of this problem is to allow some adjustments for premiums for identifiable behavior that adds or subtracts from health care costs."

The final panel of witnesses included Jonathan Gruber, assistant professor of economics, Massachusetts Institute of Technology, Martin Zimmerman, chief economist, Ford Motor Company, and David E. Scherb, vice president, PepsiCo, Inc. They discussed the impact of health care reform on businesses.

Thursday, December 16

Chairman Rostenkowski reconvened the Committee on Ways & Means to address health care cost containment under the Administration's proposed health plan. Seven witnesses presented testimony, none of which pertained to tobacco excises or related issues.

Stuart H. Altman, director, Prospective Payment Assessment Commission, and John Eisenberg, chairman, Physician Payment Review Commission, discussed the impact of health care reform on hospital costs, and the efficacy of price and utilization controls.

Other witnesses included: Joseph Newhouse, of the division of health policy research and education, Harvard University; Robert C. Winters, Prudential Life Insurance Company of America; Henry E. Simmons, National Leadership Coalition for Health Care Reform; Jack A. Meyer, president, New Directions for Policy; and Gail Wilensky, senior fellow, Project HOPE.

SDC:cah

cc: The Members of the Management Committee
TI Senior Staff

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