

McCain Plan Focuses on Tax Changes, Cost Cuts

BY MARY ELLEN SCHNEIDER

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While the Democrats continue to debate the need for individual mandates for health coverage, presumptive Republican presidential nominee Sen. John McCain recently unveiled a starkly different plan for reforming the health care system.

At the heart of Sen. McCain's health proposal is a plan to eliminate the tax exclusion that allows employees to avoid paying income tax on the value of their health benefits. Sen. McCain is proposing to replace that tax break with a refundable tax credit of \$2,500 for individuals and \$5,000 for families.

For those who remain in their employer-sponsored plan, the tax credit would roughly offset the increased income tax burden. For those seeking to buy their own health coverage on the individual market, the tax credit would be used to pay their premiums, according to Sen. McCain's plan.

Sen. McCain also espouses creating a national market for health insurance by allowing Americans to buy coverage across state lines.

"Insurance companies could no longer take your business for granted, offering narrow plans with escalating costs," Sen. McCain said during a recent Tampa speech to announce details of his health care proposal.

"It would help change the whole dynamic of the current system, putting individuals and families back in charge, and forcing companies to respond with better service at lower cost," he said.

For those with preexisting conditions, Sen. McCain is proposing a Guaranteed Access Plan, or GAP. The GAP would reflect the best practices of the more than 30 states

that have a "high-risk" pool for individuals who cannot obtain health insurance. Sen. McCain pledged to work with Congress, governors, and industry to ensure that the initiative was adequately funded and included disease management programs, individual case management, and health and wellness programs.

The tax changes would not occur in a vacuum, said Crystal Benton, a spokeswoman for the McCain campaign.

The idea is to reform the marketplace and drive down costs overall.

Grace-Marie Turner, a McCain campaign adviser and president of the Galen Institute, which favors free-market approaches to health care, said that Sen. McCain recognizes that the first step to expanding coverage is to make health care more affordable.



Sen. John McCain is in favor of allowing Americans to buy health insurance coverage across state lines.

The cornerstones of that approach include giving consumers more coverage options, paying for wellness and prevention, and getting rid of waste in the system.

But critics say the McCain plan would essentially destroy the employer-based health insurance system in the United States.

"We are pretty amazed at how extreme a plan Mr. McCain has staked out," commented Roger Hickey, codirector of the Campaign for America's Future, a

progressive think tank.

The elimination of the employee health benefits tax exclusion would be an excuse for employers of all sizes to get out of providing health insurance, leaving many workers to the purchase coverage in the individual market where coverage is expensive and difficult to obtain.

"Our prediction is a race to the bottom," he said.

And a \$5,000 tax credit wouldn't be enough to cover the cost of family coverage, which the Kaiser Family

Foundation estimates costs on average nearly \$12,000, he commented.

It's hard to predict exactly what will happen with employer-based coverage under this proposal, said Sara R. Collins, Ph.D., assistant vice president for the Program on the Future of Health Insurance at the Commonwealth Fund. The question is whether individuals who currently have comprehensive coverage through their employer would end up underinsured after moving into the individual market.

The proposal is raising some concerns among physicians. Dr. Jack Lewin, chief executive officer of the American College of Cardiology, called on Sen. McCain to rethink his tax proposal, saying that taking away the employee tax exclusion would "undoubtedly" cause a shift to individual coverage and force many people into government health care programs.

The focus should be on expanding coverage to the uninsured, not destabilizing the current system of coverage, he said.

But Dr. Lewin praised the direction of Sen. McCain's quality of care proposals, which include plans aimed at increasing the adoption of health information technology and paying physicians for prevention and chronic disease management.

In the areas of health information technology and medical research funding, Sen. McCain's proposal is actually similar to the plans put forth by the Democratic candidates Sen. Hillary Clinton (D-N.Y.) and Sen. Barack Obama (D-Ill.), said Naomi Senkeeto, a health policy analyst at the American College of Physicians.

For example, Sen. McCain plans to dedicate federal research dollars on the basis of "sound science" and a put a greater emphasis on chronic disease care and management.

The American College of Physicians does not endorse any candidates but has performed an analysis of how the presidential candidates compare with one another on guaranteeing access to affordable coverage, providing everyone with a primary care physician, increasing investment in health information technology, reducing administrative expenses, and increasing funding for research. The side-by-side comparison is available online at the ACP Web site, www.acponline.org/advocacy/where_we_stand/election/.

Health Care Reform Plans Touted by Private Foundations

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The presidential candidates aren't the only ones with proposals to reform the American health care system.

While the designs are different, more and more players in the health care arena are unveiling their own detailed plans to provide health care coverage for all or most Americans.

For instance, the Commonwealth Fund recently outlined a proposal called "Building Blocks" that seeks to cover 44 million of the 48 million Americans estimated to be uninsured in 2008. At the center of the proposal is a national health insurance connector that would allow small businesses and individuals without large employer insurance to shop for a health plan.

The connector would feature both private plans and a "Medicare Extra" option. The Medicare Extra plan would offer premiums of \$259 a month for individuals and \$702 a month for families, 30% lower than the average premium charged to em-

ployers today, according to the Commonwealth Fund, a private foundation that supports research on health policy reform.

The plan also calls for expanding Medicaid and the State Children's Health Insurance Plan (SCHIP) to cover all adults and children below 150% of the federal poverty level. And the plan would include both individual and employer mandates for health coverage.

With the use of modeling from the Lewin Group, officials at the Commonwealth Fund estimate that the proposal would add \$15 billion to current total health spending in the United States during the first year and about \$218 billion over 10 years. But the plan could actually save \$1.6 trillion over 10 years if it is combined with other reforms such as changing Medicare payments to hospitals and physicians, investing in better health information technology, allowing Medicare

to negotiate drug prices, and improving public health, according to the Commonwealth Fund.

"This approach builds on group insurance coverage and the national reach of Medicare and at the same time addresses the high administrative and premium costs for individuals and small groups," Karen Davis, Commonwealth Fund president, said.

In the meantime, the Healthcare Leadership Council, a coalition of hospitals, health plans, and pharmaceutical and device manufacturers that aims to improve the quality and affordability of health care, has brought forward its own market-based proposal aimed at covering all Americans. Called "Closing the Gap," the proposal calls for subsidies and tax breaks to help individuals afford coverage, improving health care quality through health information technology and care

coordination, and realigning the financial incentives in the health care system to pay for value.

For example, the plan calls on the government to provide premium subsidies to help employees afford their employer-sponsored insurance premiums. The plan also calls for applying the same tax breaks to individually purchased health insurance as apply to employer-sponsored coverage. However, the group did not endorse the idea of individual mandates for health insurance.

The plan also calls for moving away from a payment system that rewards physicians and hospitals for the volume of services they provide and instead paying for evidence-based care and prevention. The current model rewards inefficiency and pays better when patients are sicker, Dr. Denis Cortese, chair of the Healthcare Leadership Council and president and chief executive officer of the Mayo Clinic, said during a press briefing to release the plan.

"We really are suggesting we turn that upside down," he said.

The Commonwealth Fund's recently unveiled proposal seeks to cover 44 million of the 48 million Americans estimated to be uninsured in 2008.

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