

McCain Plan Relies on Tax Changes, Cost Control

BY MARY ELLEN SCHNEIDER
New York Bureau

While the Democrats continue to debate the need for individual mandates for health coverage, 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, the presumptive Republican presidential nominee, 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 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,



Sen. McCain proposes changing the tax structure to pay for health coverage.

putting individuals and families back in charge, and forcing companies to respond with better service at lower cost."

For those with preexisting conditions, Sen. McCain is proposing a Guaranteed Access Plan. 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.

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," said 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 said.

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. ■

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