

McCain Plan Targets Tax Changes, Cost Control

BY MARY ELLEN SCHNEIDER

New York Bureau

With only a few months left before election day, Sen. John McCain (R-Ariz.) has been crisscrossing the country touting his plan to make health insurance affordable and portable.

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 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."

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 proposed 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. The cornerstones of that approach would 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," 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 of coverage in the individual market where coverage is expensive and difficult to obtain. "Our prediction is a race to the bottom," Mr. Hickey 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.

It's hard to predict exactly what will happen with em-



Sen. McCain proposes to provide a tax credit while eliminating the tax exclusion for health benefits.

ployer-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 his Democratic opponent, Sen. Barack Obama (Ill.), said Naoma 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 to put a greater emphasis on chronic disease care and management. ■

Election
2008

Health Reform Likely in 2009, Political Insiders Say

BY ALICIA AULT

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SAN FRANCISCO — With a new president and a likely Democratic majority in the House and Senate, conditions will be ripe for health reform in early 2009, a bipartisan group of political insiders predicts.

The Democrats who spoke at Institute 2008, a meeting sponsored by America's Health Insurance Plans, were most certain of impending change. One Republican said he was optimistic, and two of his colleagues hedged their bets.

"I think something's going to happen in the next Congress," said former Sen. John Breaux (D-La.). Sen. Breaux noted that Congress is likely to be "dramatically different" next year.

Terry McAuliffe, longtime aide to former President Clinton and Sen. Hillary Clinton (D-N.Y.), pointed out that 100 seats are up for grabs in the House and Senate.

He predicted that Democrats would take at least four to seven of the Senate seats and garner a majority in both houses of Congress.

Why is this important?

Traditionally, Democrats have called for bigger reforms and more government intervention, and Democratic presidential candidate Sen. Barack Obama (D-Ill.) is following that lead, Mr. McAuliffe said.

Despite concerns over the economy, energy prices, and taxes, "Health care will be the number one domestic issue" in the presidential campaign and in the Congress early next year because "it affects everybody," he predicted. (See related editorial, page 9.)

"I do think health care will be still at the top of the list of things that need to get done," agreed Sen. Breaux.

Tommy G. Thompson, who served as Health and Human Services secretary under President George W. Bush, agreed with the Democrats that health reform was likely next year.

He said he was optimistic because can-

didates for the House and Senate and both presidential contenders were talking about reform. "That tells me that 2009 is going to be the biggest year we've ever had," said Mr. Thompson, who is also a former governor of Wisconsin.

He said there were many pressing issues to address, including a looming shortage of physicians and nurses and the predicted bankruptcy of the Medicare Hospital Insurance Trust Fund in the next 5-10 years.

Former Sen. Bill Frist (R-Tenn.) agreed with Mr. Thompson that the Medicare trust fund would get lawmakers' attention early in the next Congress.

But, Sen. Frist opined, "I'm not quite as optimistic that we'll see reform."

Sen. Frist said he does not think health care reform will be a priority until the American people make it one. In 1993, during the last major attempt at reform, 42% of Americans said the old system

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needed to be scrapped; "today we're at 34%."

And, he said, the cost of adding coverage will have to be addressed, which could create some unsettling political realities.

Dan Bartlett, who served as President George W. Bush's communications director and counselor, agreed, noting that Sen. Obama had not been discussing details of his health proposals in the early going on the campaign trail.

Like Sen. Frist, Mr. Bartlett said he did not see reform as an imperative.

"I don't see the mandate coming out of this election," he said, adding, "I think you'll see incremental change, but I don't think you'll see radical change." ■

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