

McCain Plan Relies on Tax Changes, Cost Control

BY MARY ELLEN SCHNEIDER
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While the Democrats debated 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 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 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 thus 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 afford-

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 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 cover-

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 put a greater emphasis on chronic disease care and management.

The ACP does not endorse 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, investing in health information technology, reducing administrative expenses, and increasing funding for research. The side-by-side comparison is available online at www.acponline.org/advocacy/where_we_stand/election. ■



Sen. McCain proposes to provide a tax credit while eliminating the tax exclusion that lets employees avoid paying income tax on the value of their health benefits.

able. 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," said Roger

age, which the Kaiser Family Foundation estimates costs on average nearly \$12,000, Mr. Hickey said.

It's hard to predict exactly what would 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

Health Reform Is Achievable Even in a Slowing Economy

BY JOYCE FRIEDEN
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ARLINGTON, VA. — Health care reform can be achieved even in difficult economic times, several speakers said at the annual meeting of the Association of Health Care Journalists.

"I think past history shows us that major social initiatives do happen exactly at a time of major economic crisis," said Dr. David U. Himmelstein of the department of medicine at Harvard Medical School, Boston, and co-founder of Physicians for a National Health Program, a group that advocates for a single-payer health care system. "The New Deal is the outstanding example of that. We're facing a period where our country can't afford the health care system we have at present, and the pain is broadening far beyond the poor into the middle classes. ... That's the condition for political change."

Dr. Himmelstein added that the change probably will not come from Washington. "Political leadership has become the ultimate oxymoron. Demand from outside Washington can actually move this country as well."

Karen Davis, Ph.D., president of the Commonwealth Fund, a health policy research organization in New York,

noted that during hard economic times, "people really get worried about health concerns, so the demand for their political leaders to do something about it grows whenever the economy tanks." However, states are less able to meet those increased demands "because sales tax revenues go down and unemployment compensation costs go up."

During the current downturn, federal lawmakers decided to give people tax rebates, but another way to stimulate the economy would have been to invest in the health sector, Dr. Davis said. "Those are good jobs."

She criticized the Bush administration's decision to limit funding for the State Children's Health Insurance Program and other programs funded by the states and the federal government during this period. "It was the wrong response," she said. "We ought to have a countercyclical matching rate built into those programs, so that when the economy tanks, the federal government could pay more of the costs," reducing the burden on states.

Julie Barnes, deputy director of the health policy program at the New America Foundation, a nonpartisan Washington think tank, agreed that reform is possible during a downturn. Although a recession would affect individuals more, "employers and businesses are in an excellent position to fix it," she said. "They're the ones we

need to look at to determine how health benefits fit into health care costs."

Although it might be a scary idea, "what if we took employers out of the health care benefit business and pooled individuals instead?" she suggested. Employers "would have more money because suddenly [they] don't have [health care] tax credits for employers, and the federal government gets back all that money that they're giving to employers right now. And wages can go up."

Tom Miller, resident fellow at the American Enterprise Institute, a public policy research organization in Washington, was less hopeful about the prospect of reform. "In the short term, I wouldn't expect a lot of moving around. ... We're not going to have any mandate after 2 years of thrashing around debate in Congress. We're going to get some marginal incentives that can provide a little additional assistance so some folks can get some more care," said Mr. Miller, who favors a free-market approach to health care.

He added, however, that Congress "is going to rewrite a good bit of the tax code in the next few years, and health care is going to get less in tax subsidies than it did before. As a result of that, we may rationalize the approach to tax financing of care." ■