

McCain's Health Plan to Focus on Taxes, Costs

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 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 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

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 purchase coverage in the individual market where coverage is expensive and difficult to obtain. "Our prediction is a race to the bottom," he said.

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 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 af-

ter moving into the individual market.

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. ■



Sen. McCain proposes replacing tax exclusions on the value of health benefits with a tax credit.

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