

McCain, Obama Promise More Health-Care Coverage, Differently

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<?xml version="1.0"?> McCain, Obama promise more health-care coverage, differently Tony Pugh McClatchy Newspapers McClatchy-Tribune Information Services Formerly Knight Ridder/Tribune Information Services WASHINGTON

WASHINGTON _ Susana Espinoza of San Diego is a poster child for what's wrong with American health care.

The 45-year-old mother of two earns about \$39,000 a year, but can't afford employer-based health coverage for herself and her sons. And she earns too much for her children to get coverage under Medicaid or California's state children's health-insurance program.

So in an unfortunate compromise that leaves her feeling guilty, Espinoza covers only herself through her job-based plan; her children go uninsured.

When her older son broke his arm playing flag football several years ago, Espinoza borrowed money from friends and took out costly payday loans to cover the \$1,800 medical bill. More than three years later, "I'm still paying off the loans," she said.

Presidential hopefuls Barack Obama and John McCain think they have solutions to Espinoza's problem.

McCain, a Republican, would provide Espinoza with a \$5,000 tax credit, which would help her buy coverage in the private market. Obama, a Democrat, would expand eligibility in government insurance programs for children and the poor and provide income-based subsidies to help her afford coverage.

Like most people, Espinoza knew little of either candidate's disparate plans to overhaul the nation's dysfunctional health-care system.

But that's likely to change in the coming months as the presidential race sharpens its focus on the policy differences that define and separate Obama and McCain.

Nowhere are those differences more striking than in health care.

Obama's proposed universal health-care plan embodies the long-held Democratic Party goal of covering the 47 million Americans who lack health insurance. Employers, insurers, individuals and the government all would have greater roles in assuring coverage through a number of proposals designed to close gaps in the system.

"It builds on the existing system and recognizes that we're not starting from scratch," said M. Gregg Bloche, health care adviser for Obama. "One can't impose sudden radical change on the system from the top down. There are real limitations to what can be accomplished centrally with respect to health care."

McCain's plan takes a different approach. It follows Republican orthodoxy of trying to make the private-insurance marketplace more affordable and competitive by radically altering the tax treatment of health-care benefits.

For years employers have been able to exclude the cost of health benefits from their employees' taxable incomes, but self-employed workers and those who buy private coverage don't have the same tax benefit. To level the playing field, McCain no longer would exempt employees' health benefits from income taxes. Instead, he'd provide refundable tax credits of \$2,500 for individuals and \$5,000 for families to help purchase private insurance.

"If you put \$5,000 per family in America on the table, insurance companies ought to be able to figure out a product they can buy. That's something that happens in every other part of the economy. It ought to be able to happen in insurance too," Douglas Holtz-Eakin, chief policy adviser for McCain.

Money left over from insurance that costs less than the tax credit could be deposited into health savings accounts. To improve competition and choice, McCain also would allow insurance to be sold across state lines. His tax measure would generate about \$3.6 trillion over 10 years, which would pay for the tax credits, making the entire proposal budget-neutral, Holtz-Eakin said. Some 20 million uninsured Americans would get coverage

under the plan, Holtz-Eakin estimated.

Kenneth Thorpe, a noted health economist, put the figure at 5 million to 7 million people, because two-thirds of uninsured Americans would require higher tax credits to pay for family coverage, he said, which averages \$12,000 a year _ \$4,500 for individuals.

(EDITORS: BEGIN OPTIONAL TRIM)

At those prices, the credits likely could pay only for catastrophic coverage, said Mark Pauly, a health-care management professor at the Wharton School of the University of Pennsylvania.

Holtz-Eakin said insurers would have to provide coverage that met certain standards, but no such standards have been worked out.

Critics say that McCain's plan will hasten the decline of the employer-based health system by steering younger, healthy people into the private market. Health economists applaud the proposal, however, because it would make the tax code more progressive by removing an exclusion that disproportionately benefits higher-income workers with more generous health plans. In fact, some higher income people with generous plans would end up with higher tax bills under McCain's proposal.

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Under Obama's plan, children _ but not adults _ would be required to have health insurance. His plan to expand state children's health insurance programs and Medicaid probably would help Espinoza's children get coverage. Covering them through her employer's plan would cost another \$300 a month, Espinoza said.

Obama's proposal also allows people who don't have insurance through their jobs and don't qualify for Medicaid or SCHIP to buy into plans that now are available for some federal employees.

Self-employed workers and small businesses that can't afford coverage for their employees also could join the plans. Premiums and co-pays would be charged, but federal subsidies would help low-income people.

To help make the search for affordable coverage easier, Obama calls for a national health-insurance exchange that would set coverage standards for participating insurers.

Instead of mandating coverage, Obama's plan bars any insurer in the exchange from denying coverage to anyone because of illness or pre-existing conditions. Applicants to the expanded federal programs also couldn't be denied coverage. Employers that don't offer coverage and don't help workers pay for their health care would have to contribute to the cost of covering the uninsured.

Bloche said Obama's proposal would cost \$50 billion to \$65 billion a year and would be financed by eliminating President Bush's tax cuts for people who earn more than \$250,000, savings on Iraq war spending and a number of cost-saving health-care proposals.

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Pauly of the Wharton school said Obama's plan probably would cost twice its projected amount because it assumed cost savings that "nobody's been able to demonstrate they can produce."

Obama's proposal is based loosely on the health plan adopted by Massachusetts and is similar to Hillary Clinton's plan. But unlike Clinton's proposal, Obama's has no mandate for adults to be covered.

That's problematic, because many people would wait until they're sick to seek coverage, which would drive premiums higher so that insurers wouldn't lose money, said Paul Ginsburg, the president of the Center for the Study of Health System Change.

Bloche said Obama hadn't closed the door on requiring adult coverage. But he said other options were available, such as automatically enrolling people in plans and giving them the option to withdraw. "Congress will ultimately decide," Bloche said.

Critics of McCain plan's worry that older, sicker Americans won't be able to get coverage in the private market. For these people, McCain proposes a guaranteed-access coverage plan that also would provide subsidies for low-income participants. While specifics of the plan haven't been worked out, Holtz-Eakin said the measure could

require up to \$10 billion a year in federal money.

What many health experts find most attractive about McCain's plan is the potential for containing health-care spending.

"I consider it the most important of his cost-containment ideas," Ginsburg said.

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Much of the rise in health-care spending isn't due to increasing costs, but rather more use of services, tests and procedures stemming from more aggressive treatment.

"If that tax exclusion is no longer allowed and all I get is a tax credit for \$5,000, well, maybe I'll decide a (cheaper) policy is all I need or all I can afford. I'll get less health insurance, which means I'm going to be paying more of the cost of care, and that is a cost-containment" mechanism," Ginsburg said.

Perhaps the biggest hurdle McCain's plan faces is its radical nature and the uncertainty that it creates.

"People fear losing the insurance they've got until they know what they can get is better," said Chris Jennings, Hillary Clinton's health-policy adviser. "I would suggest to you that this is going to be the problem with Senator McCain's policy."

A footnote: After hearing details of the Obama and McCain plans, Espinosa preferred the \$5,000 tax credit that McCain offers.

For a comparison of the McCain and Obama plans, go to the Kaiser Family Foundation Web site at [http://www.health08.org/sidebyside\(underscore\)results.cfm?c\(equalsign\)5&c\(equal sign\)16](http://www.health08.org/sidebyside(underscore)results.cfm?c(equalsign)5&c(equal sign)16)

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