

Federal Money in Health Care Plan From McCain

By MICHAEL COOPER and KEVIN SACK *The New York Times* April 30, 2008

TAMPA, Fla. — Senator John McCain detailed his plan to solve the nation's health care crisis in a speech here Tuesday, calling for the federal government to give some money to states to help them cover people with illnesses who have been denied health insurance.

Mr. McCain's health care plan would shift the emphasis from insurance provided by employers to insurance bought by individuals, to foster competition and drive down prices. To do so he is calling for eliminating the tax breaks that currently encourage employers to provide health insurance for their workers, and replacing them with \$5,000 tax credits for families to buy their own insurance.

His proposal to move away from employer-based coverage was similar to one that President Bush pushed for last year, to little effect. And his call for expanding coverage through market-based competition is in stark contrast to the Democrats' proposals to move toward universal health care coverage, with government subsidies to help lower-income people afford their premiums.

Mr. McCain had previously described aspects of his health care plan but on Tuesday offered new details on how to cover people with existing health problems, in a nod to the growing concerns about the difficulties that many sick, older and low-income people have getting insurance. Democrats had said that his market-driven plan, by not compelling insurance companies to cover people with health problems, would ignore the plight of people who have trouble getting coverage.

Elizabeth Edwards, the wife of former Senator John Edwards, recently pointed out that both she and Mr. McCain could be left uncovered by Mr. McCain's plan because she has cancer and he has had melanoma. Stung by such criticism, Mr. McCain is trying to develop a way to cover people with health problems while still taking a generally market-based approach to solving the health care crisis.

"I'll work tirelessly to address the problem," Mr. McCain said in a speech here at the H. Lee Moffitt Cancer Center & Research Institute. "But I won't create another entitlement

program that Washington will let get out of control. I won't do it. Nor will I saddle states with another unfunded mandate.”

For people who currently get health insurance through their jobs, Mr. McCain's plan would give them a tax credit that they could put toward buying a different, and potentially less expensive, health insurance plan tailored to their needs – and allow them to keep that health plan, and their doctors, even if they switch or lose their jobs.

But Democrats and some experts said the proposal might lead some employers to stop offering health insurance, and questioned whether the tax credit would cover the cost of private insurance.

Unlike Mr. McCain, of Arizona, Senators Barack Obama of Illinois and Hillary Rodham Clinton of New York would make it illegal for health insurance companies to deny an applicant because of health status. They argue that such regulation is needed to end discrimination against those with pre-existing medical conditions.

Mr. McCain's speech here implicitly acknowledged some of the shortcomings of his free-market approach. But rather than force insurers to stop cherry-picking the healthiest – and least expensive – patients, Mr. McCain proposed that the federal government work with states to cover those who cannot find insurance on the open market. With federal financial assistance, his plan would encourage states to create high-risk pools that would contract with insurers to cover consumers who have been rejected on the open market.

Mr. McCain was vague Tuesday about just how his safety net would be structured, and did not specify how much it might cost, leaving the details to negotiations with Congress and the states. But his top domestic policy adviser, Douglas Holtz-Eakin, said in an interview that the federal share could cost between \$7 billion and \$10 billion – money he said could be redirected from existing federal programs that pay for uncompensated medical care, mainly in hospitals.

Mr. Holtz-Eakin said that sum, when combined with contributions expected from the states and insurers, could provide coverage for the five million to seven million uninsured people that he estimates cannot obtain it because of their health or age. There are 47 million uninsured people in the United States, or 16 percent of the population.

The McCain campaign said that its plan to give tax credits to encourage more people to buy insurance on the open market, instead of getting it through their employers, would not cost the government any more than the current system does. The plan calls for giving \$2,500 tax credits to individuals and \$5,000 credits to families to buy insurance. Mr. Holtz-Eakin said that the government would save \$3.6 trillion over the next decade by eliminating the tax break that currently goes to encourage employer-based health coverage, and redirecting that money toward the individual tax credits.

Those tax credits would be refundable, meaning that low-income people who do not pay income taxes would still be eligible to receive it.

Mr. McCain said that his plan would foster increased competition that would in turn lead to lower costs. "Insurance companies could no longer take your business for granted, offering narrow plans with escalating costs," he said.

Some health care experts question whether those tax credits would offer enough money to pay for new health insurance plans. The average cost of an employer-funded insurance plan is \$12,106 for a family, according to the Kaiser Family Foundation, a health policy group. Paul B. Ginsburg, the president of the Center for Studying Health System Change, a nonpartisan research organization financed by foundations and government agencies, said, "For a lot of people, the tax credits he's talking about would not be enough to afford coverage."

Mr. Holtz-Eakin said he believed that many employers would still offer health insurance to try to attract the best workers, and that other companies would use the money they save on health insurance to offer people better wages, which have stagnated as many businesses have struggled to keep up with skyrocketing healthcare costs. And he said the plan would transform the current health insurance market, and make it cheaper.

Mr. McCain also wants to let people buy insurance from companies in other states, so they could shop for cheaper plans. That could lead some insurers to relocate from highly regulated states to states that would allow them to cover fewer services.

Both Democratic presidential candidates sharply criticized Mr. McCain's proposal, with Mrs. Clinton calling it "a radical plan that would mean millions of Americans would lose their job-based coverage." And Hari Sevugan, a spokesman for the Obama campaign,

described Mr. McCain's plan as "a tax break that won't guarantee coverage and doesn't ensure that health care is affordable for the working families who need it most."

Jonathan B. Oberlander, an authority on health policy and politics at the University of North Carolina, Chapel Hill, said the differences between the two parties could not be starker. "You have one party saying we have to transform the health care system by regulating the insurance industry," he said, "and the other party saying we have to transform the health care system by deregulating the insurance industry."