



The Candidates' Proposals on Health Care

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PICTURE IT: 1993. WILLIAM JEFFERSON CLINTON has been elected president and has established the President's Task Force on National Health Reform, to be headed by first lady Hillary Rodham Clinton. There was a recognition in the administration that health care costs were growing faster than other sectors of the economy and that reform was necessary to ensure that coverage was available to the then 37 million uninsured. At that time, health care costs made up almost 14 percent of the gross domestic product (GDP). Today that number is about 16 percent, and it is only increasing with each decade.

In September 1993, President Clinton introduced his reform package to the nation, and its principles included addressing the increase in health care costs, coverage of the uninsured, and attention to quality care, including prevention and disease management.

Do these issues sound familiar? They should. While the American Health Security Act of 1993 died a political death even before it was formally presented to Congress that November, policymakers face the same issues today, a decade and a half later.

Will health care reform again face the same fate? That remains to be seen, but the issues surrounding reform are getting a lot of attention from many of the current 2008 presidential candidates.

According to the Kaiser Family Foundation, health care is second only to the conflict in Iraq in terms of what the general public would like the 2008 presidential candidates to address. Coverage for the uninsured and addressing high health care costs top the list of concerns (See table, next page).



TOM RICHMOND



Health care reform is shaping up to be a major issue in the 2008 presidential election.

Here's how the candidates' proposals look so far.

These issues, as well as a number of others, will dominate the focus of the general public, policymakers, and the presidential candidates over the coming months. Therefore, it's important to examine what the various candidates offer in terms of proposals to address each of these issues. This isn't an in-depth analysis or critique of each candidate's proposal, however. Instead, the intent here is to provide a flavor for the range of options the candidates are proposing. Candidate proposals are, by nature, works in progress, and this article reflects the information available as of this writing. As the election draws closer, we may begin to see somewhat revised proposals from those candidates remaining in the race who have already offered fairly detailed proposals, as well as more detailed proposals from those who haven't yet outlined anything beyond general approaches.

Expanding Coverage for the Uninsured

According to the Current Population Survey, *2006 Annual Social and Economic Supplement*, revised August 2007, approximately 46.5 million people (17.8 percent of the U.S. population) under age 65 lacked health coverage in 2006. Most of those who are insured find coverage through their employer, government or public programs, or the individual market. The uninsured can be broken down into several categories: those who choose not to obtain coverage, those who can't afford health insurance, those who don't have access to employer coverage and have medical conditions that make coverage unavailable or unaffordable, and those who may be eligible for public programs but for some reason haven't enrolled.

There are, of course, a number of options to expand coverage to the uninsured. All come with the same questions/concerns: Should coverage be mandated? Should expansion come through the private market or public programs? Should individual states or the federal government take the lead in reform initiatives?

One recent initiative that's being monitored as a potential model for future policy is the Massachusetts Health Care Reform Plan, which was implemented this year. In this particular plan, coverage is mandated; individuals must have health insurance coverage, and employers with more than 10 employees must provide coverage. Financial penalties are imposed for individuals and firms that don't comply. Premium subsidies are available for low-income uninsured, and eligibility for public programs is expanded. A regional health market (the Commonwealth Health Insurance Connector) is established to provide a more centralized place for purchasing coverage for small businesses and individuals. Insurers are required to use a modified community rating system so that individuals aren't assessed by current or prior health status.

It's still too early to know whether this program will succeed in increasing coverage while keeping costs down, but it has provided a model for some of the 2008 candidates.

On the Democratic side, many of the candidates have designed proposals that use aspects of the Massachusetts plan. John Edwards (D-N.C.) would establish regional Health Care Markets (HCM) that would serve as purchasing pools offering a choice of plans, including one public program based on Medicare. Coverage would be mandated, and tax credits would be provided to subsidize

What two health care issues would you most like to hear the presidential candidates talk about? (open-ended)		Which one of the following health care issues would you most like to hear the candidates talk about and focus on in any health reform plan they may develop? (choose from list)	
	TOTAL		TOTAL
Coverage/Uninsured	36%	Expanding coverage for uninsured	32%
Health care costs	27	Reducing health care costs	31
Medicare/Rx drugs	16	Improving Medicare Rx benefit	13
Quality of care	2	Improving quality of care	11
Insurance issues	1	Reducing gov't spending on health	7

Source: Kaiser Family Foundation, *Kaiser Health Tracking Poll: Election 2008*, June 2007

insurance purchased through an HCM for low-income earners. Sen. Chris Dodd (D-Conn.) proposes a similar structure.

Governor Bill Richardson (D-N.M.), who also proposes an individual mandate, has suggested allowing individuals age 55 and older to purchase coverage through Medicare. He would allow other individuals to purchase coverage through the Federal Employees Health Benefits Plan (FEHBP).

While these proposals would *require* individuals to have insurance coverage, Sen. Barack Obama's (D-Ill.) proposal would not. He would create a national plan, similar to the FEHBP, under which individuals could purchase coverage. Employers not providing coverage would have to contribute to the costs of the national plan, but there would be no penalty for individuals who don't obtain coverage.

While Obama and Edwards have indicated that they would finance their plans through the elimination of the Bush administration's tax cuts, Richardson has stated that his plan would be financed through efforts to improve prevention of chronic diseases and streamline health care administration.

To date, there is only one candidate who supports a single-payer system to achieve universal coverage—Rep. Dennis Kucinich (D-Ohio). His proposal would implement a publicly financed health care system that is privately delivered. Most political analysts argue that the political environment isn't one in which a single-payer proposal could be successful.

On the Republican side, the proposals tend to focus on reforming the individual market, making insurance tax deductible, or providing tax credits for health insurance for low-income earners.

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Former New York Mayor Rudy Giuliani (R- N.Y.), as well as Governor Mike Huckabee (R-Ark.), has proposed a plan to move individuals from an employer-based health care system to the individual market. In fact, Giuliani has recently endorsed a similar plan to that introduced by President Bush in January 2007: establishing a tax deduction for health insurance of \$15,000 for families and \$7,500 for single individuals; providing funds to states to help subsidize low-income earners who don't qualify for Medicaid; and expanding the use of health savings accounts and association health plans. From his perspective, if individuals are more responsible for their own health care decisions, then they won't choose expensive plans with rich benefits.

Former Governor Mitt Romney (R-Mass.), who signed the Massachusetts plan into law, has also indicated that individual market reform, not government programs or new taxes, is the appropriate way to expand coverage to the uninsured. He supports providing federal incentives for states to reform their individual markets, allowing the states to craft their own programs to improve access to coverage.

Other proposals include using state experiences (favored by Huckabee) and allowing for the sale of insurance across state lines (favored by Rep. Duncan Hunter (R-Calif.) and Sen. Sam Brownback (R-Kan.)).

The former first lady, now Sen. Clinton (D-N.Y.), who suffered a political setback when she spearheaded the Clinton administration's health reform proposal in 1993, has, to date, released only a few details about her plan to address the uninsured. She has, however, indicated that her plan will focus on universal coverage, which is anticipated to include a mandate, and that it will be based on a guarantee-issue system so that individuals at risk for high health spending aren't denied coverage or relegated to separate plans. Her primary focus, thus far, has been on her proposals to improve quality of care and decrease health care costs, which brings us to the next set of issues.

Improving Quality, Reducing Costs

Many employers and insurers have begun to focus on disease management (also referred to as chronic care coordination) and preventive measures to help address rising health care costs. According to the Disease Management Association of America, approximately 57 million Americans under age 65 have some type of chronic condition, such as diabetes, depression, or asthma. Most of these individuals face higher out-of-pocket costs because of the ongoing required care.

While it's too early to determine the financial impact such programs will have on rising health care costs, proponents of these programs believe that initial steps taken to better manage, and work to prevent, health problems such as diabetes and obesity will save money in the long term. Regardless of the impact on costs, it's well documented that participants in well-executed disease management programs see improvements in overall health.

Many of the Democratic candidates support the implementation of disease management programs and/or preventive services. Obama, for example, would require participants to use disease

While details of the various proposals remain in flux, the need for health care reform is certain. The next president, in coordination with Congress, will face many important and, at times, difficult decisions with respect to health care.

management programs, and Clinton would provide bonuses for physicians who provide the best service as an incentive to use these types of programs.

Additionally, Clinton would require plans to cover high-priority prevention services, and Edwards would establish national standards for both prevention and chronic care. Furthermore, Edwards' focus on quality of care would have Medicare and health care purchasing pools pay increased rates to plans and providers that offer the best care, would lower premiums for high-quality plans, and would penalize plans that fail to meet specified goals. Similarly, Obama has proposed aligning reimbursement with quality care standards established through his national plan.

As noted, Richardson has also proposed promoting disease management efforts requiring health plans to cover specific preventive services, and providing incentives to employers who invest in their employees' health.

Of the Republican candidates, Huckabee includes the implementation of preventive measures as part of his overall reform proposal.

Each of the proposals would have some impact on health care spending, although in most cases there are not enough data to determine exactly how much. A couple of specific proposals, however, address the financial burden of catastrophic claims through reinsurance-type mechanisms. Both Obama and Sen. Joe Biden (D-Del.) support such initiatives. Biden, for instance, proposes establishing a federal reinsurance pool that reimburses employers, insurers, and associations for 75 percent of catastrophic claims above \$50,000 per employee.

It's important to note that there appears to be support from both Republican and Democratic candidates on the issue of health information technology (HIT). Most proponents have suggested that implementing some type of electronic system to track records, provide better communication between doctors and patients, and to ease the claim submission process would help limit some of the administrative costs associated with the current paper-based system. Clinton proposes an up-front, phased-out \$3 billion per year investment fund to help implement HIT initiatives. Obama would invest \$10 billion per year over five years to move to an electronic system.

Improving the Prescription Drug Benefit

The Medicare Modernization Act of 2003 established Medicare Part D, a voluntary prescription drug benefit for Medicare recipients. According to a Kaiser Family Foundation study, *Seniors and the Medicare Prescription Drug Benefit*, December 2006, 56 percent of seniors enrolled in a Part D plan have a favorable impression of the benefit, although 41 percent suggest that the program could be improved upon with some minor changes. When asked about specific proposals to modify Part D, 67 percent of seniors favored allowing the government to negotiate lower drug prices. This is a modification that a number of the candidates support, as well.

On the issue of prescription drugs in general, Clinton, Obama,

Edwards, and Dodd support allowing drug reimportation. Clinton and Obama also back the removal of barriers to generic drug competition. Edwards appears to go one step further, supporting the creation of a fund that would buy the patents for some "break-through" drugs. Placing the patents in the public domain would allow the drugs to be sold as generic drugs in the competitive market.

Medicare

Noticeably lacking from the 2008 candidates, as a whole, are proposals to address Medicare's long-term financing problems. According to the 2007 Medicare trustees' report, Medicare's Hospital Insurance (HI) trust fund fails to meet measures of short-term and long-term actuarial solvency. HI expenditures will exceed non-interest income this year, with trust fund assets expected to be depleted by 2019. To overcome the 75-year HI deficit would require an immediate 122 percent increase in payroll taxes, a 51 percent reduction in benefits, or some combination. Not only is HI solvency in jeopardy, but Medicare's rising reliance on general revenues places increasing demand on the federal budget. In addition, paying currently promised Medicare benefits will place a greater strain on the U.S. economy, as total Medicare spending is projected to grow from 3 percent of GDP in 2007 to 11 percent in 2080.

There are a number of potential options available to reform the Medicare program, either through reductions in spending or increases in revenue. Options to increase revenue include raising the HI payroll tax rate, making the HI payroll tax rate progressive, increasing general revenue funding, and/or hiking beneficiary premiums.

On the other hand, expenditures could be decreased by reducing provider and plan payments, cutting benefits and/or increasing costs to beneficiaries, improving delivery efficiencies, and/or implementing a defined contribution approach.

The critical issue will be for policymakers to consider any reform to Medicare in coordination with health care reform as a whole. Proposals from the various candidates would signal an interest in looking at all aspects of health care, and it's crucial that, as the campaign progresses, candidates bring proposals for Medicare reform to the table.

These are just a few of the issues that candidates and other policymakers will be considering over the next several years. Additional issues, such as medical malpractice reform and expansion of the State Children's Health Insurance Plan (SCHIP), are addressed by a number of the candidates, whereas others, such as long-term care and pandemics, may be raised in the future.

Over the next few months, we'll see a winnowing of the field of presidential candidates. While details of the various proposals remain in flux, the need for health care reform is certain. The next president, in coordination with Congress, will face many important and, at times, difficult decisions with respect to health care. ●

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