

McCain health-care plan transforms US health insurance but few gains in numbers of insured

September 16 2008

A paper published in the journal Health Affairs highlights the cost and coverage implications of Senator John McCain's healthcare plan and describes its likely impact on the level and stability of insurance coverage as well as the healthcare costs faced by families. The plan would eliminate the current tax exclusion of employer payments for health coverage, replace the exclusion with a refundable tax credit for those who purchase coverage, and encourage Americans to move to a national market for non-group insurance.

According to the authors, these changes would have little impact on the number of uninsured people in the beginning, but over time the numbers of uninsured are likely to grow as the value of the tax credit falls relative to rising healthcare costs. The article, published today as a web exclusive, can be accessed at content.healthaffairs.org/cgi/.../hlthaff.27.6.w.472

"Moving toward a relatively unregulated non-group market will tend to raise costs, reduce benefits, and leave people with less consumer protection," says Sherry Glied, PhD, professor and chair of the Department of Health Policy and Management at Columbia University Mailman School of Public Health and one of the paper's authors. "The system Senator McCain envisions is one in which many more -- perhaps most -- insured Americans would buy health insurance and health services in a national, relatively unregulated, competitive market.

Because this is a radical departure from the current system, its likely effects deserve close attention."

According to Dr. Glied, the elimination of the income tax preference for employer-sponsored insurance would cause 20 million Americans to lose coverage, but the effect could be much larger especially if employers are quick to drop health benefits in response to the McCain plan, or if employers drop coverage for low wage workers. She suggests that "while initially there will be no real change in the number of people covered as a result of the McCain plan, people are likely to have far less generous policies than those they have today."

The McCain health plan also would have a significant effect on the private health insurance system. The authors note that at first glance, average premiums in the non-group market often appear to be lower than premiums for group coverage, but the apparent advantage of non-group coverage is an illusion. Coverage in this market carries much higher administrative expenses than does coverage in the group market. Non-group plans also appear less costly because they offer less coverage and quoted prices are for coverage sold to healthier people.

Senator McCain has acknowledged the deep flaws in today's non-group market, and his plan proposes state-based high-risk pools for the sick (called Guaranteed Access Plans) and "innovative multi-year health insurance plans." However, high-risk pools would need to be well funded, and the authors contend that the \$7 billion to \$10 billion that Senator McCain proposes spending to subsidize high-risk pools is not nearly enough to make high-risk pools work to cover significant numbers of the uninsured. His proposed multi-year health insurance plans are unlikely to emerge. Even if they did, they would be unlikely to fix the shortcomings of the non-group market, especially since people do not want to be locked into the same health insurance plan year after year.

The authors believe that several modifications of the McCain proposal could preserve the basic structure of the plan while ameliorating some of its likely negative effects.

Source: Columbia University's Mailman School of Public Health

Citation: McCain health-care plan transforms US health insurance but few gains in numbers of insured (2008, September 16) retrieved 25 April 2024 from <https://medicalxpress.com/news/2008-09-mccain-health-care-health-gains.html>

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