



John McCain's Radical Health Care Agenda for America

By James Kvaal, Peter Harbage, and Ben Furnas

Introduction

Sen. John McCain (R-AZ) wants to enact a radical health care plan that would dismantle today's health insurance system. Millions of families would lose the coverage they get from their jobs, forcing them to shop for health coverage in a deregulated insurance market stripped of consumer protections. Tens of millions of Americans with health problems—such as cancer or diabetes—would find it particularly difficult or impossible to find adequate coverage, increasing their medical costs dramatically. Tens of millions of families would eventually pay higher taxes on health premiums, making health care less affordable.

Throughout his career, Sen. McCain has consistently opposed overarching supervision of financial institutions, and now he wants to deregulate the health insurance industry in the same way conservatives dismantled prudent supervision of Wall Street. As he put it, “opening up the health insurance market to more vigorous nationwide competition, as we have done over the last decade in banking, would provide more choices of innovative products less burdened by the worst excesses of state-based regulation.”¹

Senator McCain's plan would:

- Threaten the coverage of over 160 million people in the United States who receive health benefits through work.² The Economic Policy Institute projects 19 million could lose their coverage. McCain's plan eliminates the employer health care tax benefits that enable many businesses, especially small businesses, to provide group insurance to their employees.
- Put at special risk coverage for the 56 million non-elderly people across the country struggling with diseases like cancer and diabetes who are now covered through their jobs.³ Under McCain's plan, insurance companies would be free to “cherry pick” only those individuals for coverage who do not have costly health conditions and avoid state regulations that keep health care accessible and affordable.
- Raise taxes on the health insurance benefits paid by millions of American families. A typical family could pay over \$1,100 more in taxes by 2013 if McCain imposes both income and payroll taxes on their health coverage.⁴

Our health care system faces deep problems. There are 46 million people without insurance, costs are rising and increasingly unaffordable and quality of care is inconsistent. But Sen. McCain's prescription would worsen the disease, creating a deregulated insurance market, leaving millions of Americans with serious illnesses without insurance coverage and millions more paying higher taxes for their insurance coverage.

THE HEALTH CARE CRISIS	
Number of uninsured	46 million
Number of "underinsured"	27 million
Increase in an American family's health premiums since 2000	200 percent

Source: U.S. Census, Robert Wood Johnson Foundation, Medical Expenditure Panel Survey.

The McCain plan disrupts millions of Americans' health benefits

Most people in the United States get health insurance coverage from their employer. Sen. McCain would turn that system upside down. Today, 158 million people—the majority of non-elderly Americans—receive insurance from their own or a family member's job.⁵ This figure includes over 43 million children.⁶

Sen. McCain's health care plan is based upon a fundamentally different vision for American health care, one in which Americans shop for their health coverage on their own. He would tax the health benefits that workers get from their jobs, which are now exempt from income and payroll taxes, and create a new refundable health insurance tax credit worth \$5,000 for families and \$2,500 for individuals.

The elimination of tax incentives for employer-based plans will lead employers to drop health benefits for millions of workers. Millions of families would be forced to change insurers and possibly doctors as many employers cancel their health benefits. Those who continue their plans will see higher costs as young and healthy workers opt out of employer plans. Millions of Americans are likely to lose their health benefits.

Estimates of the number of people who would lose health benefits under McCain's plan vary widely. A new study from the Economic Policy Institute, however projects that between 11 million and 27 million Americans would lose their insurance obtained through work.⁷

MCCAIN'S HEALTH CARE PLAN	
Number of Americans with employer-based health benefits	160 million
Number of Americans projected to lose employer-based health benefits	19 million
Tax increase for an American couple earning \$60,000 in 2013	\$1,100

Source: Kaiser Family Foundation, Center for American Progress Action Fund, Economic Policy Institute.

The McCain plan weakens the safety net for people with illnesses

The loss of employer health benefits is particularly threatening to Americans who are already struggling with health problems or at risk of developing them. When forced to buy insurance on their own—rather than through an employer—individuals with expensive illnesses such as cancer or diabetes can find complete coverage expensive or even impossible to get at any price.

The people who would struggle the most to find coverage under Sen. McCain's plan have preexisting illnesses or other medical conditions. There are about 79 million Americans with preexisting conditions, including:

- 56 million people with employer coverage⁸
- 16 million who are uninsured⁹

Households forced to buy insurance on their own struggle to find affordable coverage, particularly if they have a member with a preexisting illness.

Insurers in most or all states can charge higher premiums to those who are sick and are older or deny them coverage altogether. They can cancel coverage after it is sold without review or appeal. They can spend less than 75 percent of premiums on medical care, keeping the rest for administrative costs and profits. And when covering individuals, rather than groups of employees, they typically offer plans with higher co-payments, higher deductibles, and more exclusions for treatments such as maternity care, prescription drugs, mental health, and preexisting conditions.¹⁰

McCain's plan would undermine the patient safeguards that do exist under many law by letting insurers to sell across state lines and avoid state consumer-protection laws and solvency requirements. Insurers could avoid state laws currently requiring them to:

- Cover breast cancer, cervical cancer and ovarian cancer screenings
- Allow women to directly access OB/GYNs without going through a primary care physician
- Consider only a limited number of months of medical history, preventing insurers from reviewing a lifetime of medical data in search of preexisting conditions that they could cite to deny coverage or make it more expensive
- Offer basic policies that do not cost excessively more than the average premium, thereby helping to reduce price gouging
- Use an external review agency to make sure an impartial party adjudicates disputes between insurance companies and patients to keep insurers from price gouging or unfairly denying coverage¹¹

The McCain plan could also potentially erode solvency requirements that ensure that insurance companies will be able to meet all of their promises to pay medical bills. Like the reserve requirements at a regulated bank or financial institution, solvency laws prevent insurance company from making more promises than they can keep or taking investment risks that put their own viability at risk. Currently, these laws vary widely between the states.¹² In McCain's deregulated health insurance market, much like on Wall Street, insurance companies could choose to comply with only the weakest of the widely varying state solvency requirements, unnecessarily increasing risk.

Sen. McCain's plan proposes to cover people denied insurance through "high-risk pools." Nationwide, high-risk pools cover fewer than 200,000 people. Often, enrollees face high premiums and are denied benefits for treatments related to their preexisting conditions—the very thing Sen. McCain thinks the plan will help.

Covering all high-risk Americans through these pools is likely to be prohibitively expensive. According to the Tax Policy Center, using high-risk pools "to prevent large losses in insurance coverage among the sick and needy could be extremely expensive—on the order of \$1 trillion over ten years given projected health care costs."¹³

The McCain plan raises taxes on health insurance

Reforming the tax treatment of health insurance could be an important part of a broader health care reform effort. Sen. McCain's plan, however, would raise taxes on the health insurance of millions of American families.

Sen. McCain's plan imposes taxes on workers' tax benefits, which are largely tax-free today. He would use the new tax revenue, which the campaign estimates at \$3.6 trillion over 10 years, to create a new health insurance tax credit worth \$2,500 for individuals and \$5,000 for families. For many families, however, the new tax credit will be smaller than the additional taxes due on their health benefits. As a result, these families will be paying higher taxes on their health insurance.

Moreover, Sen. McCain's new tax credit grows only at the rate of inflation—expected to be about 2 percent a year—while current tax subsidies keep up with rising health insurance premiums, which run about 7 percent a year. As a result, the value of the tax credit quickly falls behind rising health care costs. Every year, more and more families would see higher taxes under Sen. McCain's plan.

It is unclear whether McCain would impose both income and payroll taxes—or only income taxes—on health benefits.¹⁴ Some analysts believe that workers will be required to pay both income and payroll taxes on their health benefits.¹⁵ As a result, a couple making \$60,000 would pay over \$1,100 more in taxes by 2013.¹⁶

Other analysts have concluded that, under McCain's plan, health benefits will be subject to income taxes but remain exempt from payroll taxes.¹⁷ If so, then the plan will add \$1.3 trillion to the debt over ten years, while still eventually raising taxes on most households.¹⁸

The McCain plan fails to cover the uninsured

There are 46 million Americans who lack health insurance.¹⁹ The plight of the uninsured in our country in the face of indifference from the Bush administration is sadly evident in the data—there are around 7 million more uninsured Americans than there were eight years ago.²⁰ Those left uninsured often do not have access to the care they need. According to the Urban Institute, 22,000 people die prematurely every year because they are uninsured.²¹

The reason: People without health insurance often go without care they need. And tens of millions more Americans remain at risk of losing insurance. One in three non-elderly Americans go without insurance at some point over a two-year period.²² There are 25 million more Americans who are “underinsured” because their coverage does not provide the security they need.²³

Sen. McCain’s plan fails to prioritize the problems of the uninsured. He is very clear that he does not seek to cover all Americans, saying “the problem is not that most Americans lack adequate health insurance.”²⁴ While some Americans would gain coverage under his plan, others would lose it. Even according to the McCain campaign itself, his plan will leave tens of millions of Americans without insurance, and it may even increase the number of the uninsured.

McCain “Care” will not make insurance affordable for people who need coverage most. It ignores the higher premiums faced by some households. For these families, Sen. McCain’s plan is like a five-foot rope in ten-foot hole: useless.

Sen. McCain also opposes efforts to cover more children through the State Children’s Health Insurance Program, or SCHIP.²⁵ He supported both of President Bush’s vetoes of additional funding for SCHIP.

SCHIP covers 4.4 million children nationwide who live in families with low incomes but who do not qualify for Medicaid.²⁶ Yet there are 3.8 million children nationwide who will be denied coverage due to the strident opposition of President Bush and Sen. McCain to the SCHIP program.²⁷

The McCain plan fails to contain health care costs

Rising health care costs are a serious threat to all Americans individually and to all of us collectively because of the long-run challenges to the federal budget they pose. Americans spent \$2.1 trillion on health care in 2006, and health care expenditures are expected to reach \$4.2 trillion (almost 20 percent of our economy) by 2017.²⁸

Nationwide, premiums in employer-based plans have increased dramatically. They are up \$4,600 to almost \$14,000 per family since 2000.²⁹ The United States spent \$1.5 trillion on health care in 2004, the last year for which complete data are available.³⁰

Sen. McCain's plan fails to make a meaningful difference in rising health care costs because universal coverage is "a precondition for effective measures to limit overall health care spending," according to Brookings Institution economist Henry Aaron.³¹ Large numbers of uninsured Americans drive up the cost for everyone else: an estimated \$922 from an average family policy goes to pay for the cost of care for the uninsured. A fragmented system of care also undermines investments in preventive and chronic care that would prevent later, larger costs for illnesses like diabetes and heart disease.

The McCain plan also fails to take badly needed steps to improve the quality of care. Medical errors cause more deaths each year in the United States than motor vehicle accidents, breast cancer, or AIDS. According to a study by the Institute of Medicine, between 44,000 and 98,000 people die every year in American hospitals from preventable medical errors.³² These tragic errors are costly: The IOM found that total costs of these errors "are estimated to be between \$17 billion and \$29 billion, of which health care costs represent over one-half."³³

Moreover, at least 1.5 million Americans, are injured every year by preventable problems with medication.³⁴ Sen. McCain has paid lip service to introducing electronic medical records, which would dramatically reduce the incidence of these types of errors, but will not invest money to deploy and help hospitals adopt a standardized system to reduce errors and lower costs.³⁵

Conclusion

Deep problems in America's health care system are hurting families across the country. There are 46 million people without insurance, some of whom will die sooner as a result. Rising and unaffordable costs burden families and businesses.

Sen. McCain's health care plan would make America's problems worse.

It embraces a radical vision for our health care system: a deregulated market along the lines of the disastrous deregulation of Wall Street. Under McCain's plan, families are left on their own rather than receiving insurance through their employers. There are 19 million Americans with insurance through their employers who could lose health benefits under Sen. McCain's plan. Many would lose coverage all together. The rest could be forced into a private market stripped of consumer protections where they would face shoddier plans with weaker coverage and higher out-of-pocket costs. And many families would pay more in federal taxes for these "benefits" of McCain "Care"—making health care even less affordable.

Endnotes

- 1 John McCain, *Contingencies Magazine*, September/October 2008.
- 2 Kaiser Family Foundation State Health Facts, "Health Insurance Coverage of the Total Population." Available at <http://www.statehealthfacts.org/comparebar.jsp?ind=125&cat=3&sub=39&yr=1&typ=1>.
- 3 Based on estimates for numbers of Americans with preexisting conditions and state's share of the U.S. population. Sources: Jeanne Lambrew, "McCain's Health Plan Puts at Least 56 Million People with Chronic Disease at Risk of Losing Health Coverage," *Census Bureau*, April 29, 2008.
- 4 Center for American Progress Action Fund, "John McCain's Bad Medicine: A 50 State Analysis of John McCain's Health Care Plan," August 2008. Available at <http://www.americanprogressaction.org/issues/2008/mccaintax/index.html>.
- 5 Kaiser Family Foundation State Health Facts, "Health Insurance Coverage of the Total Population." Available at <http://www.statehealthfacts.org/comparebar.jsp?ind=125&cat=3&sub=39&yr=1&typ=1>.
- 6 Kaiser Family Foundation State Health Facts, "Health Insurance Coverage of Children 0-18." Available at <http://www.statehealthfacts.org/comparebar.jsp?ind=127&cat=3&sub=39&yr=1&typ=1>. *Census Bureau*.
- 7 Economic Policy Institute, "McCain Plan Accelerates Erosion in Employer Sponsored Health Insurance: A state by state analysis of losses," (forthcoming).
- 8 Based upon state share of Americans with employer-based insurance. Source: Jeanne Lambrew, "McCain's Health Plan Puts at Least 56 Million People with Chronic Disease at Risk of Losing Health Coverage."
- 9 Robert Wood Johnson Foundation and the Urban Institute, "Uninsured Americans with Chronic Health Conditions: Key Findings from the National Health Interview Survey" (2005). Available at http://www.urban.org/UploadedPDF/411161_uninsured_americans.pdf; Updated for rise in the number of the uninsured, state number based upon share of non-elderly uninsured population.
- 10 Families USA, "Failing Grades: State Consumer Protections In The Individual Health Insurance Market" (2008). Available at <http://www.familiesusa.org/assets/pdfs/failing-grades.pdf>.
- 11 Individuals with continuous coverage are offered some consumer protections under HIPAA.
- 12 National Association of Insurance Commissioners, "Statutory Minimum Capital and Surplus Requirements," July 14, 2008. Available at http://www.naic.org/documents/industry_ucaa_chart_min_capital_surplus.pdf.
- 13 Tax Policy Center, "An Updated Analysis of the 2008 Presidential Candidates' Tax Plans," August 15, 2008. Available at http://www.taxpolicycenter.org/UploadedPDF/411749_updated_candidates.pdf.
- 14 Robert Gordon and James Kvaal, "McContradiction," *The New Republic*, July 9, 2008. Available at <http://www.tnr.com/politics/story.html?id=f32048af-6a69-4594-8a9f-e99d213578c1>.
- 15 Including Center for American Progress Action Fund, "John McCain's Radical Prescription for Health Care," July 2, 2008; and the AFL-CIO, (forthcoming).
- 16 Center for American Progress Action Fund, "John McCain's Bad Medicine: A 50 State Analysis of John McCain's Health Care Plan," August 2008. Available at <http://www.americanprogressaction.org/issues/2008/mccaintax/index.html>.
- 17 Tax Policy Center, "An Updated Analysis of the 2008 Presidential Candidates' Tax Plans," August 15, 2008. Available at http://www.taxpolicycenter.org/UploadedPDF/411749_updated_candidates.pdf; Health Affairs, "Cost and Coverage Implications of the McCain Plan To Restructure Health Insurance," September 16, 2008. Available at <http://content.healthaffairs.org/cgi/content/full/hlthaff.27.6.w472/DC1>.
- 18 Tax Policy Center, "An Updated Analysis of the 2008 Presidential Candidates' Tax Plans," August 15, 2008. Available at http://www.taxpolicycenter.org/UploadedPDF/411749_updated_candidates.pdf.
- 19 Kaiser Family Foundation State Health Facts. "Health Insurance Coverage of the Total Population."
- 20 U.S. Census, "Historical Health Insurance Tables." Available at <http://www.census.gov/hhes/www/hlthins/historic/hihistt4.html>.
- 21 Based on state's share of non-elderly uninsured. Source: Urban Institute, "Uninsured and Dying Because of It: Updating the Institute of Medicine Analysis on the Impact of Uninsurance on Mortality" (2008). Available at http://www.urban.org/uploadedpdf/411588_uninsured_dying.pdf.
- 22 Robert Wood Johnson Foundation and Families USA, "Going Without Health Insurance: Nearly One In Three Non-Elderly Americans" (2003). Available at http://www.familiesusa.org/assets/pdfs/Going_without_report3b26.pdf.
- 23 Robert Wood Johnson Foundation and Families USA, "Going Without Health Insurance: Nearly One In Three Non-Elderly Americans" (2003). Available at http://www.familiesusa.org/assets/pdfs/Going_without_report3b26.pdf.
- 24 John McCain, Des Moines Rotary Lunch, October 11, 2007.
- 25 Insure Kids Now. Available at <http://www.insurekidsnow.gov>.
- 26 Robert Wood Johnson Foundation and Cover The Uninsured, "Protecting America's Future: A State-by-State Look at SCHIP & Uninsured Kids" (2007). Available at <http://covertheuninsured.org/pdf/americasfuture.pdf>.
- 27 Families USA, "Families Who Could Gain Coverage Under the Children's Health Insurance Program Reauthorization Act of 2007 (CHIPRA) – H.R. 976." Available at <http://www.familiesusa.org/assets/pdfs/kids-covered-under-chipra.pdf>
- 28 Centers for Medicare and Medicaid Services, "National Health Expenditure Projections 2007-2017." Available at <http://www.cms.hhs.gov/NationalHealthExpendData/Downloads/proj2007.pdf>

- 29 Medical Expenditure Panel Survey, "State Differences in the Cost of Job—Related Health Insurance—2000." Available at http://www.meps.ahrq.gov/mepsweb/data_files/publications/st20/stat20.pdf and http://www.meps.ahrq.gov/mepsweb/data_files/publications/st208/stat208.pdf. Grown by health care growth rates predicted by the Congressional Budget Office in "Taxes and Health Insurance: Presentation to the Tax Policy Center and the American Tax Policy Institute."
- 30 Kaiser Family Foundation State Health Facts, "Missouri: Health Care Expenditures by State of Residence" (2004).
- 31 H. Aaron, "Budget Crisis, Entitlement Crisis, Health Care Financing Problem – Which Is It?" Health Affairs, 2007. Available at http://www.brookings.edu/papers/2007/fall_healthcare_aaron.aspx.
- 32 Institute of Medicine, "To Err Is Human: Building a Safer Health System" (2000). Available at http://books.nap.edu/openbook.php?record_id=9728&page=5. State numbers based on proportional population.
- 33 Ibid.
- 34 Ibid.
- 35 Institute of Medicine, "Preventing Medication Errors" (2006). Available at <http://www.iom.edu/Object.File/Master/35/943/medication%20errors%20new.pdf> & Karen Davenport, "Navigating American Health Care: How IT Can Foster Health Care Improvement" (Washington: Center for American Progress, 2007). Available at http://www.americanprogress.org/issues/2007/05/health_IT_report.html.