



CHAPTER 2:

HEALTH CARE



THE WINNING ARGUMENT: John McCain's Health Care Plan

I. John McCain's health care plan is a radical attack on the employer-based system.

- John McCain's health care plan will put the 158 million Americans who currently get health care through their jobs at risk of losing it. McCain wants to eliminate the tax breaks for workers receiving employer-based coverage, wiping out the main incentive employers have to provide health coverage to their employees and likely causing millions of workers to lose coverage.

II. McCain's plan puts sick people at risk of being uninsured.

- As Elizabeth Edwards [has pointed out](#), neither she nor McCain would be guaranteed coverage under his plan. His plan does not guarantee coverage for the [56 million people with pre-existing conditions](#) – a category that includes everything from cancer to hay fever – and would force them into the individual market, where insurance companies could charge them exorbitant rates or even deny them coverage.
- McCain has said he would draw on the experiences of the states in creating these pools, but [the experiences of states show](#) that high risk pools have high costs and provide little benefits.
 - Thirty states use preexisting condition exclusions to limit enrollment into their high-risk pools.
 - Roughly half of the state high risk pools have deductibles of \$1,000, putting pressure on those with chronic diseases.
 - In many cases, high risk pools impose a lifetime benefit maximum.

III. McCain's plan will increase costs for millions of families.

- McCain's tax subsidies will increase taxes on millions of households, and for millions more it falls short of making insurance affordable.
- McCain's plan will generate as much as [\\$20 billion in new administrative costs](#) – the fastest-rising cost in the health care industry. Administrative costs are much higher in the individual market, and McCain's push to expand that market could cause them to increase by more than 20 percent over 2007 levels.

IV. McCain's plan is written to benefit big health insurance companies.



- McCain's plan will push people into the individual market, where insurers can refuse to cover pre-existing conditions and deny coverage outright. In fact, insurers will have even more leverage than they do today. McCain would deregulate the health insurance industry and [allow insurers to choose states with weak consumer protections](#) as their base for national operations – just like credit card companies choose states with weak financial regulations today. .
- McCain wants to give a nearly \$2 billion per-year tax break to the 10 biggest health insurance companies in America.



Elizabeth Edwards: Why Are People Like Me Left Out Of Your Health Care Proposal, Sen. McCain?

Our guest blogger is Elizabeth Edwards, wife of former Presidential candidate John Edwards.

I freely admit that I am confused about the role of overnight funding in repurchase markets in the collapse of Bear Stearns. What I am not confused about is John McCain's [health care proposal](#). Apparently Douglas Holtz-Eakin, a senior policy advisor to McCain, thinks I do "[not understand the comprehensive nature of the senator's proposal](#)." The problem, Douglas, is that, despite fuzzy language and feel-good lines in the Senator's proposal, I do understand exactly how devastating it will be to people who have the health conditions with which the Senator and I are confronted (melanoma for him, breast cancer for me) but do not have the financial resources we have. In very unconfusing language: they are left outside the clinic doors.

Senator McCain likes to start speeches with a litany of questions that, presumedly, less plain-spoken politicians would refuse to answer. Well, here are some questions he does not ask but, as that plain-spoken politician, he might want to answer:

1. Under your plan, Senator McCain, would any health insurer be required to sell you or me (or those like us with pre-existing conditions) a health insurance policy?
2. You say your plan is going to increase competition to the point that it actually lowers costs. Isn't there competition today among insurance companies? Haven't costs continued to go up despite that competition?
3. You say that under your plan everyone is going to pay less for health insurance. Nice words, I admit, but they are words we have heard before. You must know when American families calculate the actual cost of health care, they have to include those deductibles and co-pays and not just the cost of the insurance. Are you talking about cheaper overall or just a cheap policy that doesn't kick in until after thousands of dollars of deductibles have been paid?
4. Isn't the type of competition you are talking about really a rush to the bottom? As long as you allow insurers to underwrite and deny access, you encourage insurers to offer plans that may be cheap, but that get that way by avoiding people with cancer or other high-cost diseases or by limiting benefits and treatments, particularly if the treatment is expensive or might be needed for a long time. We all live in the real world; those of us lucky enough to have health insurance have seen how insurers cut coverage and up co-pays or deny particular treatments. The insurance company makes money when it doesn't have to pay for our health care. (I suspect that if they could, they would write obstetrical-only policies for nuns.) Doesn't your plan really encourage insurers plans to compete to avoid people with cancer or other high-cost diseases? Don't you think that the kind of competition that starts with a decent level of required coverage, that doesn't exclude the care we actually need, would be better?

I am not confused about your reputation: you are the straight-talker, you like to say. This is about health care, Senator McCain. Doesn't the American voter deserve some straight answers to these questions? As one of those with a pre-existing condition, I sure would like some straight talk.

[<http://thinkprogress.org/wonkroom/2008/04/01/elizabeth-responds/>]



Elizabeth Edwards On The Inequitable Individual Market

Our guest blogger is Elizabeth Edwards, a Senior Fellow at the Center for American Progress Action Fund and wife of former Presidential candidate John Edwards.

David Lazarus, in Sunday's Los Angeles Times, brought us a fresh reminder of the [challenges posed by preexisting conditions](#) by raising a new one – being a woman.

Senator John McCain's health plan is based on the idea that everyone should be on their own to buy their health insurance on the individual market. And it's an approach fundamentally at odds with the point of health insurance: that we share risks. People with preexisting conditions, like McCain and myself, would pay much more for health insurance under his health plan, if we could get coverage at all.

Insurance companies have all sorts of characteristics they look at in order to [increase premiums](#), such as preexisting conditions, occupation, age, and residence. But I hadn't realized that the McCain plan would enable insurers to "rate-up" my insurance bill for not only my status as a breast cancer patient, but also my gender.

The ability to become pregnant has long been understood as an excuse to charge women more for health insurance (because, of course, men have nothing to do with that particular health condition). But what makes the Lazarus column interesting is that he tells us that insurers are charging women higher premiums even if pregnancy benefits are excluded. Blue Shield of California (Blue Shield) is [now charging woman more in the individual market](#) because:

“Our egghead actuaries crunched the numbers based on all the data we have about healthcare,” explained Tom Epstein, a Blue Shield spokesman. “This is what they found.”

That women get sicker than men?

“It's all about the statistics,” Epstein said.

That doesn't really inspire a sense of fairness. Doctors recommend that women have mammograms and other preventative screenings. Is Blue Shield really trying to discourage health screenings? Do they think that women are more accident prone? Whatever their reasoning, one thing is clear – they don't want to enroll too many women:

“We don't want to get a disproportionate share of high-risk people,” added Epstein.



As Lazarus noted, “by ‘high risk people,’ what he means is ‘women.’”

Blue Shield, a not-for-profit company, says they are just following the trend of for-profit insurers in California (at least two competitors already adjust premiums based on gender). Blue Shield exists in a competitive market that rewards insurers for doing the wrong things. In that sense, it isn't fair to pick on Blue Shield in particular, especially since [Blue Shield's CEO speaks constructively on health reform](#).

The point is that the insurers have given us just another example about how the individual market is fundamentally broken. Embracing it as the solution to our health crisis – as the McCain plan proposes to – will only make matters worse.

[<http://thinkprogress.org/wonkroom/2008/06/24/elizabeth-individual-market/>]



What You Need To Know About McCain's Health Care Plan

By Peter Harbage

Sen. John McCain (R-AZ) released additional details of his health care plan today. In terms of key principles, there was nothing new. Sen. McCain is still not concerned about achieving universal coverage, and he continues to want to put a greater burden on individuals to take on health insurance companies by themselves and hope that they can get needed care.

Today, the Center for American Progress Action Fund released two new analyses of the McCain plan (you can read the whole reports [here](#) and [here](#)). The only two key things you need to know are the numbers 158 million and 56 million:

- **158 million is the number of people who could lose their existing health care coverage under the McCain plan.** McCain believes that individuals should find health insurance by themselves, and he will give them a small tax credit to help cover the cost. To pay for this, McCain [ends the tax break given to those who purchase insurance from their employer](#) today. This means that all 158 million people with employer-sponsored coverage today could eventually be forced to find a new health plan.

- **56 million is the number of people who are at risk of not getting health insurance at all under the McCain plan because of their chronic condition.** The individual market is notorious for [denying coverage to those with preexisting conditions](#). By creating a system that tries to push people towards individual coverage, McCain's plan could leave out in the cold the 56 million Americans with employer insurance who have one or more chronic diseases like hypertension, arthritis, and asthma.

Overall, the McCain plan today was just more of the same old conservative rhetoric. His promises to help cover those with pre-existing conditions have [turned out to be empty](#). The McCain plan still [doesn't help cancer patients](#) like Elizabeth Edwards. Far from improving health care, John McCain will only make it much worse.

[<http://thinkprogress.org/wonkroom/2008/04/29/mccain-health-care-speech/>]



REPORT: McCain Plan Doles Out \$2 Billion In Tax Cuts For The Biggest Health Insurers

Our guest blogger is James Kvaal, Domestic Policy Advisor at the Center for American Progress Action Fund.

More bad news for regular families today: the median family income is [down](#) and income inequality is [up](#). But although John McCain's [tax plan](#) costs [\\$2 trillion](#), it gives little or nothing to most families.

Instead, McCain chose to earmark [80 percent](#) of his tax relief proposals for corporations. He would cut the top tax rate from 35 percent to 25 percent and allow corporations to immediately write off many investments.

For the ten largest American health insurance companies, the McCain plan is worth nearly \$2 billion a year, according to [a new analysis](#) released today by the Center for American Progress Action Fund. UnitedHealth Group alone would receive a \$700 million tax cut. The tax breaks come in addition to the [benefits of McCain's health care plan](#) for insurance companies.

THE MCCAIN TAX CUT FOR THE LARGEST HEALTH INSURANCE COMPANIES		
CORPORATION	U.S. TAXES IN 2007	SAVINGS UNDER THE MCCAIN PLAN
UnitedHealth Group	\$2.5 billion	\$710 million
Wellpoint	\$1.8 billion	\$510 million
Aetna	\$900 million	\$260 million
Humana	\$420 million	\$120 million
Cigna	\$460 million	\$132 million
Health Net	\$150 million	\$43 million
Coventry Health Care	\$330 million	\$94 million
WellCare Health Plans	\$76 million	\$22 million
Amerigroup	\$100 million	\$29 million
Centene	\$19 million	\$5 million
TOTAL	\$6.7 billion	\$1.9 billion

Read the whole analysis [here](#) (pdf).

[<http://thinkprogress.org/wonkroom/2008/04/09/mccain-tax-health-insurers/>]

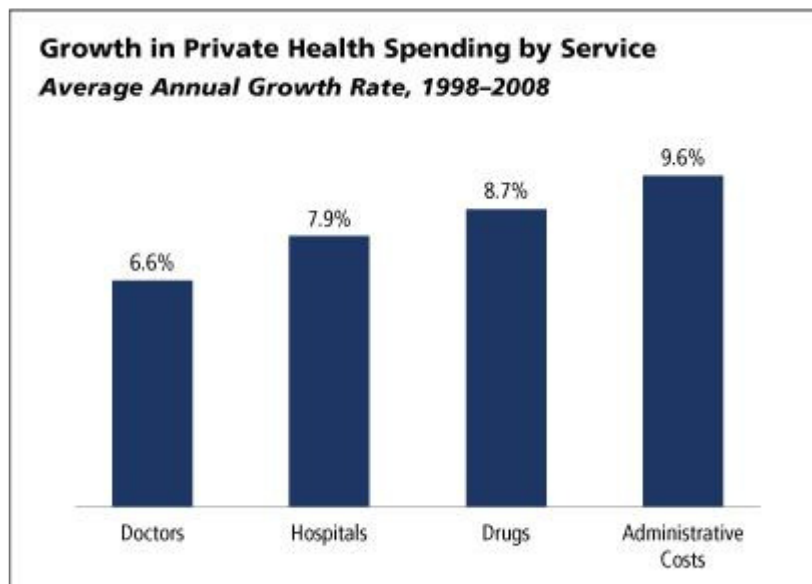


John McCain's Health Care Plan Means High Paperwork Costs

By Peter Harbage

While Sen. John McCain (R-AZ) has claimed that his health care proposal would reduce administrative costs, [a new study](#) released by the Center for American Progress Action Fund suggests that his plan to shift coverage from the group market to the individual market could generate as much as \$20 billion in new administrative costs—which represents an increase of more than 20 percent in 2007 dollars.

The study flips McCain's small government rhetoric on its head. Since McCain's plan seeks to shift enrollment from the employer-based insurance market to the individual market, insurers would have to spend much more money marketing and processing individual plans and waste premium dollars on the medical review and legal costs of underwriting and rescission. These costs are significant and are the fastest growing part of health care, as shown in the below chart:



Source: CMS National Health Expenditures.

Administrative costs are what insurance companies use to deny coverage for individuals with preexisting conditions. We need to spend less on administration, not more. Senator McCain takes health care in the wrong direction.

Read the [full report](#).

[<http://thinkprogress.org/wonkroom/2008/05/20/mccain-admin-costs/>]



McCain's Cost-Containment Plan: Reduce Access to Health Insurance

By Peter Harbage

In a McClatchy story published Sunday on the [differences](#) between Sens. Obama's and McCain's health plans, Paul Ginsburg, the president of the [Center for the Study of Health System Change](#), describes McCain's cost-containment measure:

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.**

Ginsberg touches on the fundamental conservative approach to containing costs: reducing access to health insurance. But as the Center for American Progress Action Fund has argued, conservative ideas on cost-containment "[could deepen our health system crisis.](#)"

The McCain plan is predicated on the idea that everyone is getting too much health care, and therefore, families should have to pay more money out of pocket in order to reduce the amount of care delivered. He also argues that higher cost sharing will lead to greater competition among providers and insurers. But research shows that higher cost-sharing can [reduce utilization of needed care](#). And with [little information](#) available on quality of care, and even less information on costs of procedures, there is no way for individuals to become effective purchasers. All of this leaves families disadvantaged. Indeed, there is every chance that the ultimate result will be an increase in costs as opportunities for care management and preventative care are missed.

In addition, McCain would make care even more difficult to obtain because he focuses on using the individual market, which has few coverage standards. Jon Gruber, a Massachusetts Institute of Technology economist, has [said](#):

Indeed, there is evidence that **encouraging people to join such health plans might act as salt on a wound**, exacerbating some of the very maladies that undermine our health care system's ability to perform at the highest level.

Certainly, there are bipartisan ideas on cost containment. The [Partnership to Fight Chronic Disease](#) has been building support for programs on the Right and the Left to manage and prevent conditions like asthma and diabetes. But McCain's approach of leaving persons uncovered will weaken any effort at cost containment. As Henry Aaron, a Brookings Institute economist put it, "Covering nearly all Americans is a precondition for effective measures to [limit overall health care spending.](#)"

[<http://thinkprogress.org/wonkroom/2008/06/16/mccain%e2%80%99s-cost-containment-plan-reduce-access-to-health-insurance/>]



McCain's Health Care Death Spiral: Higher Premiums For Sicker People

By Ben Furnas

Earlier this month, Cato's Michael Cannon argued that healthy individuals who purchase health insurance using Sen. John McCain's (R-AZ) proposed [health care tax credit](#), could buy "[more secure coverage](#) of high-cost conditions than the current job-based system" allows:

Researchers such as Mark Pauly of the University of Pennsylvania and Susan Marquis of the RAND Corporation have found that **the individual market covers lots of people with high-cost medical conditions — so long as they purchased the insurance when they were healthy...** Over the long term, then, **McCain's plan would provide more secure coverage of high-cost conditions than the current job-based system does.**

Cannon is mistaken. In what is known as '[the death spiral](#),' health insurance companies entice healthy candidates into cheap plans and then increase prices for sicker patients. Consumer Reports explains the tactic like this:

[Companies] stop accepting new customers in a plan, which kicks off a process known as a "death spiral." Even if everyone in an insurance plan starts out relatively healthy, as time goes on, people get sick, and the cost to insure them rises. **Once the pool is closed, costs for the remaining members rise inexorably. Healthier members find cheaper plans, but sicker ones are effectively forced out because they can't afford coverage.**

While healthy patients who pass another round of medical underwriting can switch to a cheaper plan, patients who develop a disease after purchasing their coverage, fail their underwriting, and are stuck paying higher prices:

"Jesse Paul, 59, an Indianapolis lawyer, paid \$25.50 a month for his individual, \$100- deductible Prudential major medical policy when he took it out in 1980. Premiums rose steadily for years but at a pace that Paul deemed "rational in terms of medical costs." In 2003 the premium shot up from about \$1,200 to about \$1,900 a month at renewal.

When Paul complained to the state insurance department, he learned that **the policy had been closed to new entrants for years, that he was one of only 400 to 600 customers left in the state, and that the premium increase was permissible under Indiana law.** Paul reached his breaking point when he got his latest renewal notice in August; [the monthly premium was now \\$4,284.](#)

Cannon claims that allowing anyone with pre-existing conditions to purchase insurance would "[invite irresponsible behavior](#)." It's curious that Cannon thinks the current behavior of private insurance companies, who would be [further unregulated](#) by McCain's plan, isn't "irresponsible."

[<http://thinkprogress.org/wonkroom/2008/05/22/mccaindeathspiral/>]



What Happened To McCain's Support of Patients' Rights?

By Peter Harbage

Once a strong supporter of patients' rights, Sen. John McCain (R-AZ) today is more worried about insurance companies than patients.

In 2001, McCain was in the middle of Washington's biggest health debate in years. In drafting the Patients' Bill of Rights ([S. 1052](#)), McCain's fight though was with Republicans, not Democrats. The goal was to find ways to keep insurers under control and to stop some of the worse abuses of managed care.

McCain's co-sponsors were none other than Sen. Edward Kennedy (D-MA) and John Edwards (D-NC). McCain even [co-authored a Washington Post opinion piece](#) with Edwards. Titled "Let's See Some Bi-Partisanship," the piece read in part:

For too long, some of us in Congress have struggled to come up with a way to create rights for patients who have disputes with health maintenance organizations... We all agree that patients deserve basic rights.

McCain was bucking his party. President Bush verbally threatened a veto early in 2001 and then [issued a written veto](#) during the summer. Senator Don Nickles of Oklahoma, then part of the Senate Republican leadership, [once warned](#), "Employers beware. There is language in this bill that can bankrupt you." Patients' rights became so difficult for Bush that the newly elected president [quipped](#), "A dictatorship would be a heck of a lot easier, there's no question about it."

That was then. Today, McCain has learned to get along with his party and insurers. When asked recently plans that offer coverage guarantees at reasonable prices and consumer protections for individuals with preexisting conditions, McCain said, "That would be [mandating what the free enterprise system does](#)."

Instead of regulating the insurers, McCain now wants to deregulate them. For example, his plan to allow insurance companies to sell products across state lines [would weaken consumer protections](#). And while John Edwards called for a new and even stronger patients' rights during his 2007 run for president, McCain's position actually weakens patient protections. McCain's plan to enroll everyone in [high deductible health plans](#) will create barriers to access for low-income persons.

In 2001, much was made of how Bush was trying to [cut his former presidential rival](#) out of the patients' rights negotiation. Maybe McCain found solace for his 2000 presidential loss in knowing that patients' rights debate was an embarrassment to his former rival? Whatever his motivation in the past, McCain has now embraced conservative orthodoxy.

[<http://thinkprogress.org/wonkroom/2008/04/18/mccain-patients-bor/>]

