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## Session 54SM Health Care and the Elections

**Track:** Health

**Chairperson:** BERNARD RABINOWITZ  
**Panel:** THOMAS F. WILDSMITH

*Summary: The focus is on election year issues affecting the U.S. health care financing system. What visions do the leading presidential contenders have regarding health care in the U.S.? What are the common factors and unique features of each proposal? How has the failure of the Clinton health care plan affected the debate?*

**Mr. Bernard Rabinowitz:** Tom Wildsmith is going to be talking about health care and the elections. Tom is the policy research actuary at the Health Insurance Association of America. He is a member of both the American Academy of Actuaries Health Section Council and the Society of Actuaries Health Benefit Systems Practice Advancement Committee. Tom is also the immediate past Chairperson of the Health Section Council.

**Mr. Thomas F. Wildsmith:** As we begin thinking about health care and the elections, a good place to start is with the background environment we are facing. Frankly, the health insurance industry is facing more different attacks than I can remember in a number of years. We have the classic "patient protection" legislation; there are some physician antitrust waiver proposals in play in Congress, benefit mandates, and a variety of privacy proposals. Ideologically, behind the privacy proposals is an extreme discomfort with underwriting and with any kind of risk classification or risk selection. I think the core problem behind all of this is that the public probably and politicians certainly are beginning to place health insurance and health plans on a par with tobacco companies and gun manufacturers. In fact, some of the lawyers who went after the tobacco companies and the gun manufacturers with class action lawsuits are now bringing class action cases against health plans. In my mind this is almost beyond belief. It is very hard to understand. To begin with, cigarettes kill people. Guns kill people too. Turning to health insurance, I have never had an insurance policy that covered absolutely everything that I might have liked to have had covered. Looking at all the different kinds of insurance we buy, not just health insurance, the cost is often more than we would like to pay. But if nothing else, there is good research available demonstrating that when you have health insurance you are more likely to get the health care you need. The research shows a number of other benefits of owning health insurance, such as a reduced likelihood of premature death. Nonetheless,

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we are in a political environment where a candidate for political office can run against health insurance in much the same way that you can run against tobacco or guns.

In terms of the presidential election, Vice President Al Gore has suggested several initiatives. Everyone has some form of "patient's bill of rights," some sort of anti-managed care legislation. The question is how draconian it would be and here there are some differences between the political parties. Where you get the biggest difference in the candidates' positions is how they would address the 44 million Americans who don't have health insurance. Gore has proposed expanding the state children's health insurance program (SCHIP) and the Medicaid programs to cover essentially everyone with a family income less than 250% of the federal poverty level. This would be a fairly dramatic expansion, and is consistent with what you would expect from him. It is coverage through a government program that is already in place. The program is popular, people like it, and it seems to work. Ideologically it makes sense for him. He doesn't talk about it as much, but he has also proposed a 25% tax credit for individually purchased health insurance, which is a little less typical for a Democrat. But it does give him something he can do for those who have to buy their health insurance coverage without the assistance of an employer.

Texas Governor George W. Bush has taken a very different approach – one that is quite minimalist overall. He has a number of different proposals. They represent a wide range of things; none of them is terribly expensive. But taken together they give him a lot of things he can say. First he has proposed a refundable tax credit. It would be \$1,000 per individual, \$2,000 for a family. It is only available if you are not eligible for employer-sponsored coverage and it starts to phase out at \$15,000 income for individuals or \$30,000 for families. For families it phases down from the full credit at \$30,000 to nothing at \$50,000. While the details aren't terribly clear, he has proposed some increased state flexibility under the SCHIP. He has also proposed statutory enabling legislation for some association health plans. He wants to make these easier to do and get the plans out from under some state regulation. He has proposed expanding the availability of medical savings accounts and removing the current sunset provision on the enabling legislation. Along a similar vein he has proposed allowing employees to roll over up to \$500 of flexible spending account funds at the end of each year. On the patient's "bill of rights", he has a little more centrist approach, if you want to call it that. Basically, whenever the issue comes up, he says that he wants to do something along the lines of the legislation that has been passed in Texas.

Stepping away from what the candidates have specifically proposed, there seem to me to be three prevailing themes in Washington. One is the patient's "bill of rights" type legislation. There is a great deal of political momentum for something along those lines. As we discussed earlier at this meeting, there are some political roadblocks right now where the House and the Senate have come out with very different bills and they are tied up in committee. I don't know what, if anything, will pass in 2000. But there is a lot of political interest there. There seems to be a fair amount of political interest in doing something more with the SCHIP. Again, that is

a program that is already in place. It seems to be working reasonably well and people are comfortable with it. It is always easier to expand an existing program than to propose a new one. It would be a way to quickly address the needs of some low-income children and some low-income parents.

Beyond that there is also a great deal of interest in refundable tax credits. Totally aside from whether they would make good public policy, there are enough people talking about them that they seem to be taking on some political life. In my judgment, and I may be wrong about this, Gore's approach is a little left of where the current center is right now. The SCHIP expansions do have support but no one else is talking about them to the same extent as Gore. An expansion to 250% of the federal poverty line starts bringing you into populations that already have employer sponsored coverage. People like the private coverage and, as a result, this may be a little more than everyone else is willing to do.

The idea of refundable tax credits, or at least something by that name, is gaining some real momentum. Even the Democratic leadership council has proposed a plan that would use refundable tax credits. In contrast to Gore, Governor Bush's approach is very, very minimalist. There is very little federal spending involved and while he would pick up some currently uninsured people, frankly I think that given the size of the tax credits they are unlikely to help a lot of very low-income individuals. They are probably more likely to benefit people in the lower middle-income range. Low-income individuals will find it difficult to take advantage of the credits. Because it is unlikely that people will be able to find the kind of meaningful major medical coverage they want at \$1,000 a head, they are going to have to kick in some additional funds of their own if they are to benefit from the credit.

Now having briefly reviewed the technical details, it strikes me unlikely that health insurance is going to be a primary campaign issue. Governor Bush has done a pretty good job, even though he has a minimalist approach, of making a number of discreet proposals that address the key issues and population segments. He has probably said enough that it is going to be very difficult for Gore to make the charge stick that he is not doing anything on expanding access to health insurance. Beyond that, essentially everyone agrees on the anti-managed care legislation. In the public's eyes, health insurance is down there with the tobacco companies. So while there are differences in the nuances, it is going to be very difficult for one candidate to campaign against the other on that level.

I think that Social Security, for instance, is going to be a much larger campaign issue than health insurance because with it there are very clear differences between the candidates, simple differences that can be understood easily.

I do, however, believe that the patient's "bill of rights" could shape up to a significant issue in the congressional elections. The Republicans, and some of the newer Republicans in particular, are feeling vulnerable on this. Depending on how the politics plays out in each local election, it may really drive the votes these legislators make as Congress tries to deal with this issue and as they feel the need for some sort of political cover.

I need to be very honest at this point; I am a numbers guy and can't claim to fully understand politics. I am also under strict instructions to be brief, so I would like to tie it up here. I believe health insurance is going to remain a very important political issue. There are some health insurance issues that, whether action is taken in 2000 or not, have some real political momentum and will come back again in 2001. But both Bush and Gore have positioned themselves so that they have something to say on health insurance, and given the complexity of it, being able to say "yes I have a plan" may be enough to immunize them. As a result, I really don't think this is going to be one of the two or three issues that is the determining factor for how people vote in the Presidential elections.

**Mr. Randall S. Edwards:** There was an open letter in the *U.S.A. Today* from the pharmaceutical council regarding their preference to have private insurance addressed drug coverage for seniors. Any response?

**Mr. Wildsmith:** I think it is certainly understandable that they would. The concern, of course, is if it is done through a Federal program, there are going to be price controls put in place. They would probably rather deal with the private health insurance industry than Congress. The problem, of course, is structuring a private plan in a way that would be both affordable and viable. Unfortunately there are a lot of people that are talking about stand alone drug benefits and, I see you nodding your head, it is just very difficult to imagine how those things could work and be viable.