

## Presidential Politics and Health Care Reform

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In my last column, I noted that health care reform has risen to the top of the domestic policy agenda and will be one of a handful of prominent issues, including Iraq and the economy, which will decide this year's presidential election. The return of health care reform is a response to widespread public dissatisfaction with health insurance coverage and access, rising insurance premiums, and relentlessly escalating health care costs.

The proposed reforms put forth by the presumptive Republican and Democratic presidential nominees, John McCain and Barack Obama, represent competing philosophical approaches to the conviction shared by most Americans that the health system has to change.

Obama's health care proposal has the stated goal of affordable and high-quality universal coverage that will be attained through a mix of private insurance reforms, mandates on businesses to provide insurance, and expanded public programs such as Medicaid and the State Children's Health Insurance Program (SCHIP). His proposal targets a major hole in the current system that occurs when working aged people do not have access to employer-sponsored coverage yet have incomes too high to qualify for Medicaid and SCHIP people (most uninsured Americans are in working families).

The greatest challenge for Obama's health reform proposals is the possibility of overreach – any comprehensive plan runs the risk of activating the entrenched conservatism of many American voters and their uneasiness about any expanded role for government. Moreover, by his campaign's own estimates, the cost of the Obama plan ranges between \$50 and 65 billion when fully phased in, with much of the financing to come from expected savings within the health care system.

Universal coverage is not a stated goal of any reform proposal put forth by John McCain. Rather, he proposes the removal of favorable tax treatment of employer-sponsored insurance. Building on the private insurance market, McCain favors the provision of a tax credit to all individuals and families to increase incentives for insurance coverage.

Unlike Obama's proposal, through which employer-based health insurance would remain a central feature of the health insurance system through an employer mandate, McCain favors changes to the tax code that could significantly alter the employer role in the system. By one estimate, almost 160 million non-elderly people in the US obtain health insurance through an employer in large part because the current tax system subsidizes the purchase of employer-sponsored health insurance.

The ability of McCain's proposal to expand coverage will depend on the generosity of tax credits or deductions provided to workers and families, and the degree to which the new tax incentives would retain their value over time. More problematic is McCain's faith in the magic of the marketplace to produce cheaper health care for everyone – particularly the idea that greater competition among private insurers will restrain health care costs and solve the access problems faced by 47 million

uninsured Americans. As economist Paul Krugman recently noted, “the United States has the most privatized system, with the most market competition – and it has by far the highest costs in the world.”

As the fall election approaches, it is inevitable that some critics will charge that any proposal to restructure the nation’s health care system represents dangerous steps that would move the US toward a government-run health care system or socialized medicine. The proposals put forth by Obama and McCain represent neither.

By any measure of efficiency and equity, the time to reform the nation’s health care system is clearly at hand. Reform will require the shared efforts of business, employees, physicians and other providers, and, yes, the federal government. As a recent report from the Urban Institute concluded, “the real question facing the public and policy-makers is determining not the health policy with the strongest or weakest role for government, but the policy that yields the best results for the American people in terms of coverage, quality, choice, and cost.”

Additional information on John McCain’s health reform proposals can be found at <http://www.johnmccain.com/Informing/Issues/19ba2f1c-c03f-4ac2-8cd5-5cf2edb527cf.htm>. Barack Obama’s health care reform proposals can be found at <http://www.barackobama.com/issues/healthcare>.

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