Health Care and the 2008 Presidential Election: Comparing the Candidates’ Positions On Health Care
Introduction

With health costs on the rise and more Americans than ever uninsured, health care is among the top domestic concerns of voters. Senators John McCain and Barack Obama have responded by making health reform proposals central to their platforms for the presidency.

The candidates share common ground that is worth noting. Most importantly, Senators McCain and Obama both recognize that controlling health system costs is paramount, and their plans tackle these costs in similar ways. They both promote increased access to information on the cost and quality of care, evidence-based medicine, health information technology and electronic prescribing, and medical malpractice reform. In addition, both proposals stress the importance of disease prevention and management.

Beyond these similarities, however, are fundamental and profound differences between the two candidates’ proposals. These differences concern how health care should be organized and paid for in the United States.
Senator McCain’s Health Care Proposal

Senator McCain offers a radical restructuring of America’s health care system. His health care proposal is built around these key elements:

- His proposal seeks to move Americans from group coverage—especially the employer-based coverage they have today—to individual coverage, so that each individual has to negotiate directly with insurance companies over premium prices and benefits. Senator McCain’s proposal also includes tax code changes that will weaken existing employer-based coverage.
- His proposal does not support regulations—even those in existence today—that protect consumers from insurance company abuses, such as cherry-picking and charging unaffordably high premiums to people with pre-existing conditions or family histories of health problems.
- His proposal encourages the sale of high-deductible insurance policies that attempt to deal with health care costs by requiring individuals to pay more out of their own pockets for health care.

Senator Obama’s Health Care Proposal

Senator Obama’s proposal builds on our current system of health coverage, preserving what works and strengthening aspects of the system that need improvement. His proposal is built around these key elements:

- His proposal allows workers to keep the group coverage they now have through their jobs. Employers help 180 million workers and their dependents obtain coverage today, and Senator Obama recognizes the importance of this financial support. His proposal strengthens the group-based insurance system, rather than moving toward individual insurance, since groups have more clout in bargaining for lower premiums and better benefits.
- His proposal establishes a National Health Insurance Exchange that will enable people and businesses to purchase health coverage like members of Congress and federal employees have today. This Exchange gives people new choices of plans that cover the services that they need, and it promotes portability when people move from one job to another or are laid off.
- His proposal regulates insurance companies so that they can no longer cherry-pick only the young and healthy and deny coverage to people with pre-existing conditions. In addition, Senator Obama’s proposal establishes reasonable limits on what families have to pay out of their own pockets for health care.
Key Health Plan Differences

The distinctions between the candidates’ plans are clear, and the following questions reflect 10 areas in which Senators McCain and Obama differ most dramatically in their health care reform proposals. For more information on the candidates’ health care proposals, see their Web sites, www.johnmccain.com and www.barackobama.com.

The Questions

1. Will the candidate prohibit insurance companies from “cherry-picking” only the young and healthy and denying coverage to everyone else?

2. Will the candidate prohibit insurance companies from charging exorbitant premiums to people with pre-existing conditions or family histories of health problems?

3. Will the candidate’s plan protect employer-based health coverage?

4. Will the candidate clamp down on how much insurance companies spend on non-medical costs so that Americans get the best value for their premium dollars?

5. Will the candidate protect families from insurance plans that charge high deductibles or other out-of-pocket costs that they can’t afford?

6. Will the candidate provide help on a sliding scale so that all Americans pay what they can afford for health care, but no more?

7. Will the candidate guarantee that all Americans have access to a health plan that is as good as what Congress has?

8. Will the candidate’s plan expand health coverage for America’s uninsured children?

9. Has the candidate indicated that he supports strengthening prescription drug coverage for seniors by closing the coverage gap in Medicare Part D known as the “doughnut hole”?

10. Will the candidate protect small businesses from high health care costs?
Stop Insurance Company Cherry-Picking

Question

Will the candidate prohibit insurance companies from “cherry-picking” only the young and healthy and denying coverage to everyone else?

The Issue

When it comes to health, there are no guarantees. You don’t know when you’ll get sick or how much health care you’ll need over time. Even those of us lucky enough to be healthy today cannot predict the future. These uncertainties are made more unsettling in the current health care system, in which insurance companies are allowed to offer coverage to the young and healthy but deny coverage to people who are older or sicker. This ability to offer coverage selectively, known in the insurance world as “cherry-picking,” puts us all at risk, both physically and financially. In our current system, insurance companies win, and those of us who happen to be sicker or older lose. Not only is this unfair, it’s inefficient.

The larger and more diverse the group of people who are insured, the better health insurance works. In a perfect system, all individuals—the old and the young, the sick and the healthy, the wealthy and those of modest means—are all insured together. This “spreads the risk” of illness in the best possible way, leaving no one to face financially devastating health care bills all alone.

Currently, a few states have strong rules against cherry-picking, but most do not. What happens to those people who are denied coverage? Many states have established “high-risk pools” through which residents who have been denied coverage by insurance companies can purchase a policy. Unfortunately, as of 2006, fewer than 200,000 Americans nationwide were enrolled in high-risk pools.¹ Such low enrollment may be due to the fact that premiums in high-risk pools are much higher than they are in standard insurance plans, even though the plans in high-risk pools tend to offer skimpier benefits.² High-risk pools may help some people in the states where they exist, but they are

¹
²
not a real solution for the millions of Americans who are powerless against insurance companies that refuse to sell them coverage. A nationwide rule that requires insurers to play fair, stop cherry-picking, and sell coverage to all applicants would be a true step toward making health coverage accessible and affordable for all Americans.

The Positions

**Senator McCain**: Senator McCain’s health care plan allows insurance companies to continue to deny coverage to people based on their age or health. His plan also allows insurers to exclude pre-existing conditions from coverage when they do offer a policy. As an alternative to prohibiting the practice of cherry-picking, Senator McCain proposes that people who are “uninsurable” because of their age or health status buy separate insurance plans modeled on the high-risk pools that currently exist in many states. In addition, Senator McCain’s plan permits the sale of insurance policies across state lines, allowing companies to circumvent any state laws that prohibit cherry-picking.

**Senator Obama**: Senator Obama’s health care plan stops insurance company cherry-picking by creating a National Health Insurance Exchange in which all participating companies will be required to sell health insurance to every single person who applies, regardless of health or age. Insurance plans in the Exchange will cover all essential medical services, including care for pre-existing conditions, with reasonable limits on the premiums and cost-sharing they can charge.
Level the Playing Field for Health Insurance Premiums

Question

Will the candidate prohibit insurance companies from charging exorbitant premiums to people with pre-existing conditions or family histories of health problems?

The Issue

In order for insurance to serve its purpose of protecting hard-working Americans from the high costs of illness, everyone must have access to quality, affordable coverage. Currently, older people, sicker people, people with family histories of health problems, and people with pre-existing conditions—even common conditions such as hay fever and asthma—have a difficult, if not impossible, time finding an affordable health insurance plan. This is because insurers are free to charge whatever they want for coverage. And, when it comes to insurance premiums for people with pre-existing conditions, in most states, the sky is the limit.

When people who need insurance have to pay more than they can afford or cannot buy it at all, the individual insurance market—and the health care system overall—is not working as it should. In order to ensure the physical and financial health of Americans and make the health care system fairer and more efficient, everyone must have equal access to quality coverage at a reasonable price.

Right now, it is up to each state to enact rules that protect consumers from unreasonably high health insurance premiums. A few states have done this, but most have not. Leaving it up to each state to protect consumers makes many Americans vulnerable to being priced out of coverage. Worse, some policymakers want to allow insurance companies to sell plans across state lines, which would enable these companies to elude state regulations that currently protect consumers. A national rule that protects everyone from unfairly high premiums would make insurance coverage affordable for the millions of Americans who need it.
The Positions

**Senator McCain**: Senator McCain’s health care plan does not place any limits on the premiums that insurance companies can charge for individuals who have pre-existing conditions or family histories of health problems. His plan will allow insurance companies to continue to increase premiums based on health problems and age. In addition, Senator McCain’s plan permits the sale of insurance policies across state lines, allowing companies to circumvent any state laws that limit premium increases for older and sicker consumers.

**Senator Obama**: Senator Obama’s health care plan creates a National Health Insurance Exchange in which participating companies will be prohibited from increasing premiums for individuals because of pre-existing conditions or family histories of health problems. Participating insurance plans will cover all essential medical services and will be subject to reasonable limits on the premiums that they can charge to applicants, regardless of age or health status.
Protect Your Current Coverage

Question

Will the candidate’s plan protect employer-based health coverage?

The Issue

Employer-based health insurance is the cornerstone of the American health care system. Six out of every 10 Americans—nearly 180 million people—currently receive health insurance through their job or the job of a loved one, and their employers pick up, on average, about three-quarters of the tab. While Americans with employer-based coverage are concerned about rising health care costs, a majority report that they are pleased with their coverage.

Given the popularity and prevalence of employer-based coverage, health reforms that threaten this foundation take the country in the wrong direction. The workplace creates a natural way to group people together, which makes administering health insurance easier and makes price negotiations with large insurance companies fairer and more effective. There are two provisions in the current tax system that give employers an incentive to offer coverage to employees and that help employees pay for this coverage. First, employers can deduct the value of what they pay toward employees’ premiums from their business taxes. Second, the dollar value of health benefits paid for by employers is not counted as taxable income for employees, which lowers the amount of taxes that employees pay.

Although improvements to the current health care system are necessary, health reform plans must respect both the benefits of employer-based health insurance and the wants and needs of the 180 million Americans who rely on it. However, some policymakers want to eliminate the second tax provision discussed above, meaning that the value of health benefits—often several thousand dollars (especially for family health coverage)—would be added to employees’ taxable income. Employees would then have to pay more taxes. Benefits expert Robert Laszewski predicts that if this were done, “most companies would stop paying for health care in three to four years.” This would force Americans into the individual health insurance market, where, unlike in the employer market,
insurers can charge higher prices or deny policies altogether based on an applicant’s age or health. Such a system could leave millions of Americans, many of whom are currently insured through their employers, with nowhere to turn for coverage.

The Positions

**Senator McCain**: Senator McCain’s health plan eliminates the tax exclusion for health insurance premiums. This means that employers’ contributions to health insurance premiums will be added to employees’ taxable income. He replaces this exclusion with tax credits of $2,500 for an individual or $5,000 for a family. People can use these tax credits to offset the higher income taxes they would have to pay, or they can use the credit to help them buy health insurance on their own. Many younger and healthier employees will leave their employer’s plan and use their tax credit to shop for coverage in the individual market. Over time, employers will be left to cover an older and sicker—and thus, costlier—population and will be increasingly likely to drop coverage altogether.

**Senator Obama**: Senator Obama’s health care plan preserves the tax advantages that employers and employees receive for purchasing health insurance. His plan also creates a new safety net (called reinsurance) to protect everyone—employers, insurers, and working Americans—from catastrophically high health care costs. In addition, Senator Obama’s health care plan requires employers, with the exception of some small businesses, to either offer a health plan to their workers or to contribute to a fund to help cover them through his National Health Insurance Exchange (his system of health insurance plans that would be required to offer coverage to all applicants at a reasonable price). His plan also provides subsidies on a sliding scale to assist workers who need extra help paying for health insurance.
**Guarantee Value for Your Premium Dollars**

**Question**

Will the candidate clamp down on how much insurance companies spend on non-medical costs so that Americans get the best value for their premium dollars?

**The Issue**

Currently, health insurance companies are generally free to decide how much of each dollar that they collect in premiums will be spent on health care versus how much will go toward marketing, paperwork, and profits. As a result, U.S. health insurance companies spend more than $300 billion each year on non-medical costs.8

The cost of insurance is rising, and more and more working Americans are finding themselves without health coverage. At the same time, insurance companies are actually spending a smaller share of premiums on health care. Between 2000 and 2007, the average share of premiums that the top five U.S. health insurance companies spent on medical services dropped from 84.8 percent to 80.1 percent.9 This means that 20 cents of every dollar collected in premiums last year by our country’s largest insurers was spent on things other than health care.

Appropriate regulations that hold insurance companies accountable for how they spend your premiums can lower the cost of premiums, making health care more affordable for all Americans. Enacting rules that set a minimum percentage of premium dollars that insurers must spend directly on health care would be one step toward making the insurance market less costly for working families.
The Positions

**Senator McCain:** Senator McCain’s health care plan does not create any rules that require insurance companies to spend a certain percentage of premiums on health care. His plan permits the sale of insurance policies across state lines, which allows insurance companies to elude any state rules that currently set a minimum percentage of premiums that insurers must spend on providing health care.

**Senator Obama:** Senator Obama’s health care plan creates a new rule that sets a minimum standard for the percentage of premium dollars that insurance companies must spend on providing health care to consumers.
Question

Will the candidate protect families from insurance plans that charge high deductibles or other out-of-pocket costs that they can’t afford?

The Issue

In order to protect consumers from the high costs of health care, insurance policies must cover the medical services that people need to be healthy, and they should protect people from unaffordable out-of-pocket costs. When insurance plans don’t cover needed services at affordable prices, families are forced to make difficult decisions that may affect their well-being, both physically and financially. When faced with out-of-pocket costs (“cost-sharing”— deductibles and copayments) that they cannot afford, people are more likely to delay care, skip prescriptions, or go without medical services entirely.10

In spite of the consequences of high cost-sharing, some policy makers promote health care plans that deliberately require individuals to pay more out of pocket, such as Health Savings Accounts (HSAs) coupled with high-deductible health plans. Believing that comprehensive insurance coverage encourages American families to receive “too much” health care, supporters of these plans want consumers to pay more of their health care costs upfront to discourage them from getting too much care.

However, with health insurance premiums rising much faster than wages, millions of insured American families are already paying significant amounts out of pocket for their health care, and these costs have become a financial burden.11 Many families and individuals are saddled with medical debt. More than a third of insured people with high health care costs have to take substantial financial risks, such as running up high levels of credit card debt or taking out a loan or mortgage against their home, to pay medical bills.12 And, when medical debt becomes too great to bear, the consequences can
be catastrophic. Bankruptcy is often the last resort for families with medical debt, and half of all bankruptcies are due, at least in part, to medical costs. The healthy and the wealthy may be able to get by with plans that require higher deductibles and more cost-sharing, but many Americans have already stretched their budgets to the limit to pay for health care.

The Positions

Senator McCain: Senator McCain’s health care plan encourages and expands HSAs coupled with high-deductible health plans, in which consumers must pay more in out-of-pocket health care costs before they receive covered health care services.

Senator Obama: Senator Obama’s health care plan limits the amount of money that Americans have to pay out of their own pockets for health care. His plan creates a National Health Insurance Exchange in which participating insurance companies will be required to cover all essential medical services with (yet to be defined) limits on the costs that they charge consumers, including deductibles, premiums, and copayments.
Question

Will the candidate provide help on a sliding scale so that all Americans pay what they can afford for health care, but no more?

The Issue

Health insurance premiums have risen by leaps and bounds over the last decade. Workers’ earnings, however, have not kept up: Premiums for employer-based health insurance rose 6.4 times faster than workers’ earnings between 2000 and 2006. With the economy weakening and no foreseeable end to premium hikes, health coverage is becoming more and more unaffordable for hard-working, middle-class Americans. As a result, every year, a growing number of families are priced out of employer-based health insurance.

To make matters worse, as health care costs continue to rise, employers and insurers respond by cutting back on the benefits that health plans offer. This strategy keeps premium costs lower, but it shifts the burden of health care expenses onto individuals in the form of higher copayments, deductibles, and other out-of-pocket costs. Growing premiums coupled with rising out-of-pocket costs are squeezing the family budgets of millions of Americans. In 2008, 50.7 million Americans with insurance are in families that will spend more than 10 percent of their pre-tax family income on health care costs, with middle-class families being hit the hardest.
The Positions

**Senator McCain**: Senator McCain’s health care plan provides flat health insurance tax credits of $5,000 for families and $2,500 for individuals. The value of the credits is the same for all families or individuals, regardless of their income or their premiums and other out-of-pocket costs.

**Senator Obama**: Senator Obama’s health care plan provides health insurance subsidies on a sliding scale so that middle class families receive more help than the wealthy, and so that no Americans have to spend more than a reasonable share of their budgets on health care.
Guarantee Taxpayers Coverage Like Members of Congress Have

Question
Will the candidate guarantee that all Americans have access to a health plan that is as good as what Congress has?

The Issue
All insurance plans are not created equal. Covered services, cost-sharing, and provider networks vary greatly from plan to plan. When it comes to the quality of a health insurance plan, the devil is in the details. For example, a health insurance plan that has a low monthly premium may appear to be a good deal, but if the plan fails to cover treatment for common conditions or limits the number of doctors’ visits in a year, it may not be such a good deal after all. Because the breadth and depth of coverage varies so greatly, finding an affordable plan that covers necessary benefits can be quite a challenge.

While American families seeking coverage have to protect themselves against plans that may not meet their needs, Congress has the Federal Employees Health Benefits Program (FEHBP) to do this for them. The FEHBP provides members of Congress with a broad range of quality plan choices and ensures that these plans play by the rules. Each plan that wants to participate in the FEHBP must cover a minimum set of benefits. In addition, information that allows members of Congress to easily compare cost-sharing and other plan features and to select the best plan is posted on a Web site for all to see. This system has worked for decades, ensuring that members of Congress and other federal employees have access to a range of quality, affordable plans.
The Positions

**Senator McCain**: Senator McCain’s health care plan does not guarantee that American families will have access to affordable insurance plans that provide coverage that is as good as what Congress has. His plan does not guarantee that insurers will cover any specific benefits—whether routine preventive care or more intensive services like chemotherapy for cancer.

**Senator Obama**: Senator Obama’s health care plan creates a National Health Insurance Exchange in which American families will have an opportunity to choose an insurance plan from a range of options with benefits as good as those that Congress has. These benefits include essential medical services, such as preventive, maternity, and mental health care, along with disease management services for those with more complicated health problems.18
Care for America’s Children

Question
Will the candidate’s plan expand health coverage for America’s uninsured children?

The Issue
All kids need health insurance for a healthy start. Access to health coverage not only ensures that kids receive the preventive care and doctor visits they need, but it also makes them more likely to start school healthy and ready to achieve. Moreover, childhood health problems like asthma, anemia, and ear infections that go undiagnosed or untreated can affect not only a child’s ability to excel in the classroom, but also his or her lifelong chance of success. Recognizing the importance of investing in children’s health, Congress created the State Children’s Health Insurance Program (CHIP). Since 1997, CHIP has provided health insurance for millions of children in working families whose parents don’t make quite enough to cover the high cost of coverage.

CHIP has drastically reduced the number of American children who live without health insurance, but 9 million children—one out of every eight kids—remain uninsured today. The American public believes that this must change: 70 percent of Americans agree that ensuring that every child has access to quality health coverage should be a top priority for Congress and the President. In 2007 and 2008, legislation that would have extended CHIP and expanded its reach to cover nearly half of America’s uninsured children received bipartisan support in Congress, but it was not reauthorized due to a presidential veto. Congress ultimately passed only a one-year extension of CHIP. It is now the next president’s job to help reauthorize CHIP and expand coverage to America’s 9 million uninsured children.
The Positions

**Senator McCain**: Senator McCain’s health care plan does not include specific proposals to expand health insurance to more of America’s children. Senator McCain voted against the legislation that would have reauthorized and expanded CHIP in both 2007 and 2008.

**Senator Obama**: Senator Obama’s health plan requires that all children have health insurance, and it will help achieve this by extending and expanding the CHIP program. Senator Obama voted in favor of the legislation to reauthorize and expand CHIP in both 2007 and 2008.
Question

Has the candidate indicated that he supports strengthening prescription drug coverage for seniors by closing the coverage gap in Medicare Part D known as the “doughnut hole”?

The Issue

For nearly 40 years, Medicare, America’s health insurance program for seniors and people with disabilities, did not cover prescription drugs. In 2003, a prescription drug benefit known as Part D was added to Medicare. Unlike most forms of insurance, however, the Medicare drug program has a hole in its middle. This gap in coverage, known as the “doughnut hole,” means that once seniors’ drug costs exceed a certain amount ($2,510 in 2008), they have no prescription drug coverage until their costs reach a much higher (“catastrophic”) threshold for the year ($5,726 in 2008). Each year, this gap in coverage may go on for many months—even though beneficiaries pay premiums for the entire year. And each year, prescription drug prices go up.

Moreover, for seniors with high drug costs, the situation gets tougher each year because the size of the doughnut hole grows over time. In fact, because of the way the Medicare drug bill was written, the doughnut hole will nearly double in the coming years, growing from $3,216 today to $6,000 in 2016. Because of this flaw in the Medicare drug program, sicker seniors who have high drug costs face a large gap in their coverage when they can least afford to pay for their drugs.
The Positions

**Senator McCain:** Senator McCain has not indicated support for closing the doughnut hole in Medicare Part D. He opposed the creation of a drug benefit for all seniors, and he believes that the current program is too generous.

**Senator Obama:** Senator Obama supports closing the doughnut hole in Medicare Part D so that seniors will have continuous prescription drug coverage for the whole year.
Question

Will the candidate protect small businesses from high health care costs?

The Issue

Because small businesses don’t have as much buying power as large companies, small business owners often struggle to find affordable health coverage for themselves and their employees. As a general rule, the smaller the business, the harder it is for the business owner to find and keep affordable coverage. This is due in large part to the very nature of small businesses: They have fewer employees, and therefore they have fewer people over whom to spread the risk of illness if an employee gets sick. If even one person employed by a small business has an illness or is getting older, the insurance premiums for the whole company will likely increase. As a result, less than half (45 percent) of companies with fewer than 10 employees offer health insurance to their employees. In contrast, the vast majority of companies with more than 50 employees (95 percent) offer health coverage.26

With health care costs becoming a growing burden, small business owners are forced to make tough decisions about employee benefits. As health insurance premiums rise, employers have three options to contain their costs: They can pass premium increases on to their workers, cut back on the benefits that their plans cover, or stop offering coverage entirely. Small business owners have been forced to do all three of these things in recent years, and as health care costs rise, this trend is likely to continue. Because nearly one in five working Americans is employed by a company with fewer than 20 employees,27 making it easier for small businesses to purchase insurance for their workers is essential to ensuring that all Americans have access to quality, affordable health coverage.
The Positions

**Senator McCain:** Senator McCain’s health care plan does not create new ways for small businesses to extend affordable coverage to their workers. His health care plan also does not prohibit insurance companies from increasing premiums for an entire group of workers if one or two employees in a small business are older or fall ill.

**Senator Obama:** Senator Obama’s health care plan creates a National Health Insurance Exchange that includes new coverage options that small businesses can purchase and offer to their employees. These new plans will be prohibited from raising the insurance premiums of an entire group when a few workers are older or get sick. In addition, Senator Obama’s health care plan offers a tax credit to small businesses that will cover up to 50 percent of employee premiums for health coverage. His health plan also creates a new safety net (called reinsurance) to protect everyone—insurers, as well as small businesses and their employees—when an employee has unexpectedly high health care costs.
Endnotes


4 Ella Hushagen and Cheryl Fish-Parcham, op. cit.


8 According to data from Steffie Woolhandler, Terry Campbell, and David Himmelstein, insurance companies spent nearly $300 billion on non-medical costs in 1999. As health spending has increased substantially since 1999, and as there is no sign that non-medical spending as a share of premiums is declining, the amount that insurers spend on non-medical costs today is likely to be substantially higher than $300 billion per year. Steffie Woolhandler, Terry Campbell, and David Himmelstein, “Costs of Health Care Administration in the United States and Canada,” *New England Journal of Medicine* 348, no. 8 (August 21, 2003): 768-775.

9 Calculations are based on the 2000 and 2007 SEC form 10-K for the five U.S. insurers with the highest revenues as reflected in the 2007 Fortune 500 survey and are on file with Families USA.


15 Kaiser Family Foundation and Health Research and Educational Trust, op. cit.

16 Calculations on file with Families USA.

17 Kim Bailey and Beth Wikler, op. cit.

Comparing the Candidates’ Positions on Health Care

barackobama.com/2007/05/29/cutting_costs_and_covering_ame.php.


21 Campaign for Children’s Health Care, op. cit.


26 Kaiser Family Foundation and Health Research and Educational Trust, op. cit.


Credits

This report was written by:

Kim Bailey  
Senior Health Policy Analyst  
Families USA  

and  

Claire McAndrew  
Villers Fellow  
Families USA

The following Families USA staff contributed to the preparation of this report:

Ron Pollack, Executive Director  
Kathleen Stoll, Deputy Executive Director and Director of Health Policy  
Marc Steinberg, Deputy Director of Health Policy  
Peggy Denker, Director of Publications  
Ingrid VanTuinen, Senior Editor  
Tara Bostock, Editorial Associate  
Nancy Magill, Senior Graphic Designer