

Obama Health Plan Adds to Employer System

BY MARY ELLEN SCHNEIDER

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With Sen. Barack Obama (D-Ill.) set to become the Democratic Party's presidential nominee this month, health care experts are once again scrutinizing his plans to reform the health care system.

The centerpiece of Sen. Obama's plan is a public-private system that would allow people to remain in their employer-sponsored health plans while offering the uninsured the chance to purchase either a private or government-sponsored plan.

For the government-sponsored plan, the proposal uses as a model the Federal Employees Health Benefits Program—the system available to federal employees and members of Congress. For individuals and families who want to purchase insurance on the private market, Sen. Obama is proposing to create a National Health Insurance Exchange through which they could enroll in either the new government-sponsored plan or purchase a private plan.

All plans offered through the exchange would be required to offer at least the same coverage as the government-sponsored plan and adhere to the same standards for quality and efficiency.

Employers also would have a role to play under the Obama plan. Those employers that do not offer or contribute to employee health coverage would be required to pay a percentage of their payroll toward the cost of the government health plan. There would be an exemption for some small employers under the proposal.

The Obama proposal also calls for expanding eligibility for Medicaid and the State Children's Health Insurance Program (SCHIP). Under the proposal, the government would offer subsidies to individuals who do not qualify for Medicaid or SCHIP but still needed financial assistance to purchase health insurance.

Sen. Obama also would guarantee that no American could be turned down for health insurance because of illness or a preexisting condition. However, his proposal stops short of requiring all Americans to purchase coverage. Instead, the plan mandates coverage for children only.

The other half of Sen. Obama's plan is aimed at reducing premiums and decreasing overall health system costs. For example, he would target the catastrophic health expenses that account for a significant portion of the costs incurred by private payers. Under his plan, the federal government would reimburse employer-sponsored health plans for a portion of the cost of catastrophic health events above a certain threshold. In exchange, the plans would have to use the savings to reduce the cost of premiums.

Cost control also is addressed in the Obama plan, with electronic health records playing a big role. The candidate proposes to spend \$10 billion a year for the next 5 years in an effort to encourage widespread adoption of EHRs.

The idea is that the investment would reap savings through increased efficiencies since paper records are more costly to store and process than are electronic ones, according to the Obama campaign. The plan also seeks to control costs through greater regulation of insurance companies and by allowing the federal government to negotiate drug prices.

The Obama campaign estimates that, if implemented, the reforms they are proposing would save the average family about \$2,500 a year in medical expenses.

"I want to . . . know that every single American has health care when they need it, that every senior has prescription drugs they can afford, and that no parents are going to bed at night worrying about how they'll afford medicine for a sick child," Sen. Obama said in June during a health care town hall meeting in Bristol, Va.

If elected, Sen. Obama has pledged to implement his health care proposal by the end of his first term as president.

But the plan continues to face critics on the left and the right. Grace-Marie Turner, president of the Galen Institute, an organization that favors free-market approaches to health care, said she is concerned that the government-sponsored program would be underpriced and crowd out the private insurance options the same way that Medicare has crowded out private insurance in the over-65 market.

"That is not a level playing field," said Ms. Turner, who also is an adviser to the presidential campaign of Sen. John McCain (R-Ariz.). Sen. Obama's approach is really a "back door" to getting everyone on a government-funded health plan, she said.

Ms. Turner also criticized Sen. Obama's plan to have the federal government take on a portion of the costs of catastrophic health costs in employer-sponsored health plans. This type of approach would require the government to be heavily involved in auditing health care expenditures, she said.

Sen. Obama's plan also faced criticism from the left. Dr. Don McCanne, a senior health policy fellow with Physicians for a National Health Program, said the plan "falls far, far, short." Dr. McCanne said he objects to the plan because it continues to use the private health insurance industry as part of the structure. His organization favors the elimination of private plans and the creation of a single public program for health care.

The concern with providing a government-sponsored plan in competition with private plans is that it would be subjected to adverse selection and the premiums would become unaffordable, Dr. McCanne said. The only way around that would be to provide additional funding through taxes or to have some method of risk pool transfer, in which the private plans with healthier beneficiaries would shift funds to pay for the higher risk individuals, he said.

But Dr. Jack Lewin, CEO of the American College of Cardiology, said that maintaining the private system is po-



Sen. Barack Obama's plan would allow people to remain in their employer-sponsored health plans.

litically smart. One of the drawbacks of Sen. McCain's plan is that it has the potential to destabilize the existing employer-based coverage system, he said. While in the long term it might be a good idea to move away from that system, that should be a gradual process, he said.

"Employer coverage isn't really broken," Dr. Lewin said. "But we can improve upon it."

Dr. Lewin also praised the Obama plan for starting with coverage for children. However, after the mandate for universal coverage of children, the plan's details are somewhat murky, he said. For example, Sen. Obama's plan commits to improving quality and efficiency in the system but doesn't define how it would be done, he said.

Sen. Obama also has been vague about subsidies, requirements on businesses, and the interaction of the public and private plans, said Len Nichols, director of the health policy program at the New America Foundation, a nonpartisan public policy institute. However, that murkiness may be appropriate since members of Congress will be the ones to refine the details of any health care reforms, he said. "He clearly intends to engage and work with Congress and stakeholders."

And Sen. Obama's plan is likely to get a warm reception in Congress next year, Mr. Nichols predicted. Unlike in 1992, there has been far more "plowing of the ground," he said. The debate over SCHIP has started the conversation about the need for universal coverage and at the same time a majority of Americans are worried about the affordability of health insurance, he said. "There's a different environment," Mr. Nichols said.

Editor's Note: Coverage of the health care proposals of presidential candidate Sen. John McCain (R-Ariz.) will appear in an upcoming issue of this newspaper.

Private Proposals Also Aim to Increase U.S. Health Coverage

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In addition to the presidential candidates, other players in the health care arena are unveiling detailed plans to provide health care coverage for all or most Americans.

The Commonwealth Fund's proposal, called "Building Blocks," seeks to cover 44 of the 48 million Americans estimated to be uninsured in 2008. At the center of the proposal is a national health insurance connector that would allow small businesses and individuals without large employer insurance to shop for a health plan.

The connector would feature private plans and a "Medicare Extra" option. The latter would offer monthly premiums of \$259 for individuals and \$702 for families, 30% lower than the average premium charged to employers today, said the Commonwealth Fund, a private foundation that supports research on health policy reform.

The plan also calls for expanding Medicaid and the State Children's Health Insurance Plan to cover all adults and children below 150% of the federal poverty level and would include individual and employer mandates for health coverage.

Using modeling from the Lewin Group,

the Commonwealth Fund estimated the proposal would add \$15 billion to current total health spending in the United States during the first year and about \$218 billion over 10 years. But it could save \$1.6 trillion over 10 years if it is combined with other reforms such as changing Medicare payments to hospitals and physicians, investing in better health information technology, allowing Medicare to negotiate drug prices, and improving public health.

Meanwhile, the Healthcare Leadership Council, a coalition of hospitals, health plans, and pharmaceutical and device manufacturers that aims to improve the quali-

ty and affordability of health care, has offered its own market-based proposal aimed at covering all Americans. Called "Closing the Gap," it calls for subsidies and tax breaks to help individuals afford coverage and would realign financial incentives in the health care system to pay for value.

The plan calls for the government to provide premium subsidies to help employees afford their employer-sponsored insurance premiums and for the same tax breaks to be applied to individually purchased health insurance as applied to employer-sponsored coverage. The group did not endorse individual mandates.