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Study: Bush Uninsured Proposal Would Make Matters Worse

WASHINGTON 04/12/2004 (BestWire)-As both parties in Congress debate how best to reduce the number of those without health coverage, a new nonpartisan study has found that the White House's health insurance tax-credit proposal isn't the best way to help the uninsured get coverage, and it may actually increase their number by pushing companies to drop their employees' health coverage.

President Bush and GOP leaders in Congress are pushing the Fair Care for the Uninsured Act of 2003, S. 1570 and H.R. 583, which would establish a refundable tax credit for health insurance premiums. Democrats, meanwhile, are wary of those credits, citing studies that show they may undermine traditional employee-sponsored health plans.

But Dr. Jonathan Gruber, an economics professor at the Massachusetts Institute of Technology, says in an analysis that those tax credits are not the best or cheapest way to reduce the ranks of the uninsured.

In a study published the week of April 12 by the American Economic Association, Gruber found that the government would spend \$3.32 for every dollar of new health coverage obtained through tax credits. That, he wrote, is because many of those credits would be used by people who already have insurance. Expanding public health coverage programs such as Medicaid, on the other hand, would cost the government only \$1.17 for every dollar of health coverage purchased; in that scenario, an expansion would cover all adults earning up to 80% of the federally designated poverty level, or \$7,448 a year.

The Bush administration's tax-credit proposal and an expansion of public health care would both affect about 3 million people, Gruber found, but the tax-credit approach would benefit far fewer uninsured. That's because about 5.2 million people would opt for the tax credit--but that would spur many companies to drop their employee-sponsored health plans, adding 2.13 million more people to the ranks of the uninsured. Expanding existing programs like Medicaid, Gruber's research found, wouldn't push businesses to drop employee coverage or cause an increase in the number of uninsured.

Gruber's study comes on the heels of a February study in the journal Health Affairs which also found that those tax credits might increase the number of those without health coverage (BestWire, March 2, 2004). About 27% of the government's health expenditures already go to families making \$100,000 or more, that study found, while about 28% of those expenditures went to those making less than \$50,000. The researchers questioned the fairness of those allocations and suggested that tax credits would skew those numbers even further in favor of the wealthy.

The tax-credit bill also faces an uncertain future in Congress. The Senate version of the bill has been in the hands of the Senate Finance Committee since August, while the House version was placed in the Health Subcommittee more than a year ago. Senate Majority Leader Bill Frist, R-

Tenn., said at an April 2 news conference that no bill would move forward until a Republican task force on the uninsured had completed its work, yet Sen. Jim Talent, R-Mo., and Sen. Olympia Snow, R-Maine., who both sit on that task force, have declared their eagerness to bring the bill to a vote.

Two months ago, the architect of the new Medicare law, House Ways and Means Chairman Bill Thomas, R-Calif., publicly withdrew his support of the tax-credit proposal, saying the \$70 billion price was too costly (BestWire, March 2, 2004). As recently as January, he had hailed the credits as "a common-sense measure" that could help the uninsured get coverage.

President Bush has declared coverage of the uninsured one of his top legislative priorities this year, while the Democratic presidential candidate Sen. John Kerry, D-Mass., has made the uninsured a key part of his health platform.

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