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Bush Urges Support for His Healthcare Policy

President Bush on Saturday spoke at the annual House Democratic retreat for the first time since 2001 to promote his health care and other domestic policy proposals, the Washington Post reports (Abramowitz/Kane, Washington Post, 2/4). In a speech to 175 House Democrats, Bush said that lawmakers must address the increased costs of Medicare and Social Security to ensure the long-term financial stability of the programs. Bush also "urged bipartisan action on a host of issues," such as health care, that "could determine the success or failure of his last two years in the White House."
Bush Urges Congress to Support Healthcare Plan

President George W. Bush, fighting for a domestic agenda overshadowed by the Iraq debate, urged the U.S. Congress on Thursday to look past "pure politics" and seriously consider his new health care plan.
Bush, in his State of the Union address before Congress on Tuesday, proposed a tax deduction for people who buy private health insurance as one of several top domestic priorities for the year.

At the same time, he is trying to contain a revolt in the Democratic-controlled Congress over his plan to send 21,500 more U.S. troops to Iraq, a policy that has made it difficult for him to push domestic initiatives on Capitol Hill.

Bush's health care proposals would tax many employer-sponsored health insurance plans and give tax breaks to people who want to buy insurance as individuals, as a way to give more Americans access to health insurance.

Leading Democrats, whose party controls Congress, have already denounced the plan.

"If people in Washington are serious about dealing with the uninsured, here is a serious idea for them to consider, instead of just dismissing things because of pure politics. We have put forth ideas that are worthy of debate," Bush told a roundtable discussion about health care at a hospital in Missouri.
Bush’s Healthcare Plan Has No Chance of Passing

The president's plan is easily eclipsed by the efforts of some states, most notably Massachusetts and California. So Bush also proposes to help states that attempt to require health coverage. His "Affordable Choices" grants, however, come with an unacceptable financial asterisk. He would pay for the grants by taking $3.9-billion in Medicaid money away from charity hospitals and those who provide care for the uninsured.

The president's plan has no chance of clearing this new Democratic Congress, nor should it pass in its present form. It does show he has finally recognized health insurance is a significant issue, and Congress should offer a counterproposal to keep the discussion going.
Bush’s Health Care Plan Will Not Pass


S. Sen. Debbie Stabenow, D-Mich., said President Bush’s proposal to tax health care benefits in order to make them more available to uninsured families is “dead on arrival” at the Democratic-controlled Congress.

“He does nothing to expand the availability of health care, he just moves money around,” Stabenow told reporters during a roundtable discussion Monday morning.

She added, “There is no way a proposal to tax people’s health benefits is going to pass the U.S. Senate.”

In his State of the Union address last week, Bush proposed taxing health benefits from employers, and giving tax breaks to individuals who purchase health insurance on their own.

Stabenow, who now is a member of the Senate Finance Committee, said the U.S. must replace a health insurance system that relies heavily on employer benefits and create a universal health care system for all, similar to Medicare, which uses government money but gives patients their choice of physicians and coverage.
Democrats Oppose the Bush Healthcare Plan

Democrats on Capitol Hill have panned the plan.

"The president's proposals are an opportunity missed," Sen. Edward M. Kennedy (D-Mass.) said. "They will not improve access to good coverage and won't help working families afford the spiraling cost of health care."

Under the plan, which would take effect in 2009, winners would vastly outnumber the losers -- at least at first.

Families that spend less than $15,000 on their health coverage (either on their own or with an employer's contribution) would come out ahead, because the new deduction would apply to all of the money spent on premiums. A family that spends, $13,000 a year on health insurance could claim the full deduction. The administration says about 100 million people with employer-sponsored coverage would see their tax bills go down.

Other winners include the 17 million people who buy health insurance on the individual market, who would for the first time enjoy a tax break on the money they use to pay health premiums.

On the losing side are consumers with more expensive policies, especially those financed by employers, who would have to pay taxes on the money used to pay premiums exceeding $15,000. About 30 million people with employer coverage would see their tax bills go up in the first year, the administration says.
Democrats Dismiss Bush’s Healthcare Proposal

Congressional Democrats have greeted such offerings with suspicion. Leading House Democrats remain dismissive of Bush’s health-care proposals, in particular. And as they met yesterday during their retreat in Williamsburg, caucus leaders said the onus remains on the president to reach out by backing the domestic initiatives -- including an increase in the minimum wage and a reduction in student-loan rates — that the new House approved during its first weeks.

"Is he going to stand in the way, or is he going to join us?" asked Rep. Chris Van Hollen (Md.), the chairman of the Democratic Congressional Campaign Committee.

Joel D. Kaplan, Bush’s deputy chief of staff and a key figure in the development of the president’s agenda, said the president’s domestic plans confront "real challenges faced by real people, and they provide real solutions."

Under Bush’s health-care-coverage plan, the federal government would create a tax deduction to offset the cost of health insurance. The value of employer-provided health insurance that exceeds the deduction would be taxed as income.

Because the deduction would apply to income before taxes for Social Security and Medicare are subtracted, Bush’s plan would mean a tax cut for families who buy health insurance even if they pay little or no income tax. For a family earning $20,000 a year, the savings would be significant -- $2,295 a year, the White House said.

The tax plan would be complemented by a Bush proposal to redirect some of the federal health dollars now being spent by states on hospitals and other institutions, so that they can use them to help pay the cost of health insurance for the poor and for people who have difficulty getting coverage because of chronic health problems.

The White House thought that the idea’s progressive tilt would be attractive to Democrats. But key Democrats almost immediately rejected the two plans, calling them the latest in a line of GOP efforts to push workers away from employer-provided health insurance and into individually purchased plans.

"We're not too enthusiastic about either of those proposals," said House Majority Leader Steny H. Hoyer (Md.).
Democrats Oppose Bush Health Plan  

President George W. Bush's plan to expand access to affordable health insurance coverage through reform of the tax code has drawn fire from Democrats in the wake of his State of the Union address, casting doubt on whether it will emerge in the form of new legislation from the Democrat-controlled Congress.

Hinting at the likely wider Democrat response to Bush's proposals, which seek to even the playing field between the self-insured and employer-insured, Rep. Pete Stark (D-CA), Chairman of the Ways and Means Health Subcommittee, argued that the plan would hurt middle-income Americans, because employers will shift even more cost and risk to their employees.

"The President's so-called health care proposal won't help the uninsured, most of whom have limited incomes and are already in low tax brackets," he argued.

"Under the guise of tax breaks, the President is pursuing a policy designed to destroy the employer-based health care system through which 160 million people receive coverage," contended Stark. "But in the individual insurance market, people will be denied coverage because of family history, existing illnesses, or genetic makeup. They’ll also be unable to take advantage of the cost savings that currently result from sharing risk company-wide."

Stark argued that Medicare is better placed to provide low cost and stable healthcare coverage to low income and elderly patients than the private healthcare coverage, and he indicated that he would oppose Bush's plan in committee.

"President Bush's proposal will make a bad problem worse," he said.
Six years into his presidency, President Bush has taken his first real step toward helping uninsured working Americans find health care. But his proposed tax changes and inducements for state health plans do little to insure the working poor and middle class. They could have adverse affects on the delivery of health care, and neither strategy is enough to make a serious dent in the 47-million uninsured Americans.

The standard tax deduction, for example, is aimed at leveling the playing field between those who have insurance at work and pay no taxes on the premiums, and those who buy insurance on the open market and usually receive no tax break. Fairness is a worthy goal, but this isn't the way to do it and the numbers don't add up.

The administration projects that the average family health insurance policy will cost $13,500 in 2009, when the plan would take effect. In return for such a policy, the plan would grant a $15,000 standard income tax deduction. But, of course, those who pay no income tax would get no tax break. Those who pay a marginal rate of 15 percent would save only $2,250 - one-sixth the cost of a family policy. More than half the uninsured fall into one of these two income categories.

On the other end, the only way the president can claim the new tax break would not add to the deficit is that he expects millions of people with workplace insurance to begin paying taxes they don't now pay. In the first year, some 20 percent are projected to pay taxes on their premiums. By the 10th year, 40 percent would pay.

Bush argues that the deduction limits will force people to be more frugal, but few if any of what he calls the "gold-plated" policies are as generous as those received by members of Congress. The president can't have it both ways. If people do find ways to limit the cost, then his plan would no longer be "revenue neutral" because less new tax money would come in to offset the deductions.

The president's plan is easily eclipsed by the efforts of some states, most notably Massachusetts and California. So Bush also proposes to help states that attempt to require health coverage. His "Affordable Choices" grants, however, come with an unacceptable financial asterisk. He would pay for the grants by taking $3.9-billion in Medicaid money away from charity hospitals and those who provide care for the uninsured.

The president's plan has no chance of clearing this new Democratic Congress, nor should it pass in its present form. It does show he has finally recognized health insurance is a significant issue, and Congress should offer a counterproposal to keep the discussion going.
Bush’s Healthcare Plan Will Lower the Quality of Healthcare

Thus, if the Bush initiative were implemented, it would lower the quality of health-care coverage for those who have it while failing to provide it to all of those who lack it. "The President's so-called health care proposal won't help the uninsured, most of whom have limited incomes and are already in low tax brackets," explains the key player in Congress on health care issues, Congressman Pete Stark, the California Democrat who chairs the House Ways and Means Committee's powerful health subcommittee. "But it will hurt middle-income Americans, whose employers will shift even more cost and risk to their employees."

Stark fears that the proposal highlighted in his State of the Union address would actually encourage employers to stop providing insurance to workers who are now reasonably well covered. "Under the guise of tax breaks, the president is pursuing a policy designed to destroy the employer-based health care system through which 160 million people receive coverage," says the congressman, who is viewed by Democrats and Republicans as Washington's most zealous advocate for expanding access to health care.

Stark is not crying wolf.

Paul Fronstin, director of the nonpartisan Employee Benefit Research Institute's Health Research and Education Program, says of the Bush plan: "I think [the President is] giving employers the incentive to get out of the business of providing health benefits."

Say what you will about all the domestic-policy damage that Bush has done -- to civil liberties, to education, to health and safety regulation, to race relations, to basic principles of fairness. You will still be hard pressed to come up with a worse idea than helping the few corporations that still provide quality health-care benefits to offload that responsibility.

And just be glad, be very glad, that Pete Stark is in charge of the committee that Bush's "reforms" would have to go through.
Bush’s Plan Would Not Help the Uninsured

Families with generous employer-sponsored coverage would be worse off, while those who buy insurance on the individual market, or whose health plan costs less than $15,000 annually, would come out ahead. But some of the winners will probably become losers over time, analysts said.

Tax-Proposal Scenarios
President Bush wants to tax health benefits paid by employers as income but would ease the impact on taxpayers by creating a $15,000 standard deduction for families ($7,500 for singles). Here are examples of how the proposal would effect three households earning $60,000 a year, depending how the families purchased health insurance.

Moreover, while Bush's plan would alter a historic imbalance in the tax code that favors generally better-off consumers who get insurance through their jobs, it also could undermine coverage for some sicker, older people and erode the employer-sponsored system that still provides coverage to more than half of all Americans.

Some experts questioned whether the plan would have any impact on holding down spiraling health costs or extending health coverage to some of the 47 million people in the nation who have none.

"It's not solving the uninsured problem and it's not solving the cost problem, so it's not really advancing what we need to have happen," said Karen Davis, president of the Commonwealth Fund, a nonprofit health policy research organization. "What it does is favor individual insurance. . . . The question is, should you try to undermine employer coverage? Employer coverage has lower administrative costs and it covers everybody in a firm, not just those who are healthy enough to pass a medical exam."

Bush would treat the contributions that employers make to their employees' coverage as taxable income, no longer exempting from payroll and income taxes the money workers use to buy health insurance.

Instead, the president would create a new tax break for everyone who buys health insurance, regardless of where they get it. The government would allow each family to deduct $15,000 a year from its taxable income to offset the cost of its policy; individuals would be allowed to deduct $7,500.
Bush’s Health Plan Will Not Cripple Safety Net Hospitals
National Center for Policy Analysis, January 30, 2007 [John C. Goodman,
“Answering the Critics of the Bush Health Plan,” National Center for Policy Analysis,
Brief Analysis No. 579, January 20, 2007]

Sen. Hillary Clinton says the Bush plan would take money away from public hospitals that cater to the poor. The New York Times agrees. Yet the White House points to Gov. Mitt Romney's health plan in Massachusetts as an example of what it wants states to be able to do; and the Romney plan was endorsed by Massachusetts hospitals, along with a huge majority of Republicans and Democrats in the state - including Sen. Ted Kennedy.

Safety net hospitals exist to provide care to indigent patients who cannot afford health insurance. These hospitals receive government subsidies to reimburse them for the cost of providing "uncompensated" care. In a market with few uninsured individuals, safety net hospitals should not need the current subsidies and would have to compete for patients against other hospitals.

Under the Bush plan, low-income families would no longer be trapped in public systems where the quality of care is frequently suspect and there is often rationing of care, especially rationing by waiting. Instead, states would be able to apply federal funds previously allocated to hospitals to subsidize the purchase health insurance for the poor.
Bush’s Health Care Plan Helps Poor Families

Families USA claims that the Bush health plan would benefit the rich at the expense of the poor. The same charge was made by Paul Krugman in the New York Times and some Democrats in Congress. But as Steven Pearlstein and Ruth Marcus explain in separate editorials in the Washington Post, the opposite is the case.

The Bush proposals would redistribute tax subsidies for health insurance from the haves to the have-nots. Specifically, the plan would grant everyone a health insurance standard deduction of $15,000 (family) or $7,500 (individual), regardless of the cost of the insurance or how it is purchased. Families whose insurance costs less than $15,000 would pay less in taxes than they currently pay. Families whose insurance costs exceed $15,000 would pay taxes on the excess. Thus, for the first time, people who must purchase their own insurance would receive the same tax relief as people who obtain insurance through an employer.

Under the current system, the federal government dispenses more than $200 billion a year in tax subsidies for private insurance. Families with incomes in excess of $100,000 get seven times as much subsidy as families who earn less than $30,000. [See the figure.] The Bush plan takes a large step toward a fairer arrangement.

According to White House estimates, about 20 percent of taxpayers - mostly those at the top of the income spectrum - would pay higher taxes. These are the 30 million people with expensive employer-provided plans. By contrast, the Bush plan will cut in half the cost of health insurance for a typical uninsured family.
The New York Times complains that the Bush plan makes it easy for employees to leave their employer plan and purchase their own insurance. This exodus of employees would cause employer plans to crumble. Some business trade groups make the same complaint. Does this criticism have merit?

In virtually all group plans, employers pay half the cost of the insurance, and in the average plan, they pay three-fourths for family coverage. Even on a level tax playing field, an employee exiting an employer plan leaves three-fourths of the premium payment behind. If the employee can find a better plan for one-fourth of the premium dollars (to say nothing of the economies of group buying), the employer plan would have to be extremely wasteful.

Some employer plans may be that wasteful. If so, all would gain if the employer gets out of the health insurance business and pays more wages instead.
Bush’s Health Care Plan Would Reduce the Number of Uninsured  
National Center for Policy Analysis, January 30, 2007 [John C. Goodman,  
“Answering the Critics of the Bush Health Plan,” National Center for Policy Analysis,  
Brief Analysis No. 579, January 20, 2007]

Paul Krugman, Families USA and other critics claim that the Bush plan will do little to  
insure the uninsured.

Even if the plan failed to induce a single new person to obtain insurance, it would still be  
worth enacting. Tax fairness - treating equals equally under the tax law - is a worthy goal  
in its own right and is long overdue. Similarly, eliminating incentives to make wasteful  
health insurance purchases is also a worthy goal.

That said, the Bush plan will make health insurance more attractive for millions of  
families that are currently uninsured. The White House estimates 3 million to 4 million  
additional insured. That estimate is probably too conservative.

Consider a family with the opportunity to purchase a $5,000 high-deductible, no-frills  
health plan. Under the current system, the family would receive a tax subsidy (if  
purchased through an employer). Under the Bush plan, the size of that subsidy would  
triple. The reason: The family gets to exclude $15,000 from income and Social Security  
taxes, regardless of the premium cost. Conversely, the penalty (taxes owed on $15,000  
instead of $5,000) would also triple if the family failed to insure.

The Bush plan is likely to encourage insurance in another way. By redistributing the  
benefits from the haves to the have-nots, the plan makes health insurance far more  
attractive to low- and moderate-income families. For example, two-thirds of the  
uninsured (nearly 30 million individuals) are families with incomes under $50,000.  
Under the current system these families receive a tax subsidy of only about one-quarter  
($733) of the subsidy families earning more than $100,000 receive ($2,780). Under the  
Bush plan, a $15,000 standard health insurance deduction would be potentially worth  
$4,545 in subsidy (15 percent federal income tax and 15.3 percent payroll tax).
Bush’s Health Care Plan Will Decrease the Number of Uninsured
National Center for Policy Analysis, January 30, 2007 [John C. Goodman,
“Answering the Critics of the Bush Health Plan,” National Center for Policy Analysis,
Brief Analysis No. 579, January 20, 2007]

President Bush's health care proposals would help remove some of the distortions that
have plagued the health insurance market for nearly 60 years. As a result, more people
would be insured, the insurance they have would better suit their needs, and fewer people
would rely on the social safety net.