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The AMA Health Care Reform Proposal: Shuck and Jive by the AMA Establishment

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Continuing its longstanding opposition to government financing of health care, the American Medical Association is now advocating a "Proposal for Reform" which, it claims, will make private health insurance available to the millions of uninsured in the U.S. This amalgam of federal tax credits and individual insurance market reforms is designed, in their words, to create a health insurance system that embodies "fairness, choice, universality, affordability, and fiscal soundness." As with all such incremental proposals, it is built around the existing system of private health insurance. What it does not say is that **the AMA plan is built upon a remarkable combination of con game and wishful thinking.**

The AMA plan has two parts: an income-based, refundable, advanceable tax credit to be used for the purchase of private health insurance, and expansion of the market for individual health insurance for people whose employers don't provide it. Consider the two parts:

Tax Credit

The tax credit plan, intended to subsidize low-income individuals and families so they can purchase private insurance, is designed to be "budget neutral." That is, it should not cost the Federal government anything, even though the AMA estimates that \$100 billion of tax credits would be needed. They find the money for these credits by eliminating the exclusion of employer-provided insurance from employees' income taxes (that is, the money that employers spend on health insurance is currently not included in employ-

ees' income). Under the AMA plan, employees who currently receive health insurance from their employers would pay higher taxes in order to fund tax credits for low-income families and for those whose employers do not provide coverage. These higher taxes would amount to an average of \$1,000 or more for every employee (for instance, they would come to \$630 for a family with \$40,000 income and \$1,395 for a family making \$125,000).

How effective would the plan be? There are no specific numbers, partly because the AMA has not proposed any particular level of tax credits, and partly because every consumer will behave differently when faced with the decision of whether to buy health insurance, even with a subsidy. **The AMA's analysts estimate that up to 25 million individuals would be covered by their plan, at a cost of \$40-65 billion. More dispassionate analysis conducted by the Lewin Group for the AMA finds a best estimate of 8.6 million people covered at a cost of \$64 billion, leaving 33.4 million still uninsured.**

Individual Insurance

The for-profit insurance industry avoids insuring individuals, or charges them very high premiums, because of the high "transaction cost" of dealing with individual customers, and because individuals seeking insurance on their own are likely to be sicker and need more medical care than the average person. **The AMA, recognizing this market reality, wants to create "alternative insurance pools" by relaxing existing state regulations on the insurance industry**

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that mandate benefits, limit premium costs for small groups, and otherwise protect consumers. Who would then protect patients from unscrupulous insurers? No one. The AMA believes that Americans are “accustomed to choosing their own homeowners, auto, and life insurance. There is no reason that they could not learn to choose health insurance in equally intelligent ways.” Clearly, whoever wrote this has not tried to read the fine print in an insurance contract, or had to fight with insurance companies to get the care they and their physicians believed to be essential.

Will insurance companies provide the individual coverage envisioned in the AMA plan? Seven years ago the Kennedy-Kassebaum Act (HIPAA) sought to enable people who left jobs where they were insured to buy health insurance on their own without facing pre-existing-condition exclusions. What happened, instead, was that the insurance companies charged such high premiums for their individual policies that very few people were able to take advantage of the Act. The individual health insurance market did not grow.

In fact, even with the subsidy provided by tax credits, people wanting insurance are going to have to spend some of their own money. The AMA has examined plans offering tax credits of \$2,000 to \$4,000 per family. With family coverage costing anywhere from \$6,000 to \$10,000 per year, even low-income families purchasing insurance under the AMA plan would be paying thousands of dollars for health insurance. Such families would also have to demonstrate to some public agency that their income was low enough that they deserved tax credits. They would, in short, have to really feel that they *needed*

health insurance. Are the insurance companies likely to seek out such people? This seems just as unlikely as it is now. Would they provide good benefits to them at rates comparable with those that employers are now charged? That seems even more unlikely.

Will insurance companies compete for this new individual market on the basis of price and quality, as the AMA claims? That, too, seems unlikely. Even under the widely-touted Federal Employee Health Benefit Program (FEHBP), with mostly healthy, relatively well-paid customers, the number of insurance companies in the program has dropped fifty percent in the last five years, and there are a small number of companies (usually fewer than five) in any particular local market across the country. If individuals, many of whom are likely to be sicker than the average government employee, are allowed to “buy-in” to FEHBP, as the AMA advocates, even more insurance companies will opt out of FEHBP. Moreover, any system based on private insurers is bound to be inequitable, offering better insurance to those able to pay more.

In short, under the AMA Plan, taxpayers would be asked to pay upwards of an additional \$100 billion to subsidize insurance for low-income families and individuals. A portion of these would then try to buy private insurance in an unregulated and, most probably, non-competitive market. While subsidizing the health care of the poor is legitimate and necessary, the AMA’s way of doing this is wasteful, inequitable, inefficient, and, most important, ineffective in reaching the AMA’s stated goal of achieving near-universal coverage.

Giving an additional \$100 billion to the wasteful, profit-making insurance industry hardly seems to be the most effective way to address the problem of the uninsured in this country. Instead of spending additional billions to cover only a small portion of the 40+ million uninsured, everyone could be covered without spending *any* additional funds if we moved to an expanded and improved program of Medicare for All, as embodied in HR 676, the Conyers bill.

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