

*Family Practice News, April 2004*

## Are tax credits the best way to cover the uninsured? No!

by Dr. Don McCanne, past president of PNHP

Tax credits are not the best way to cover the uninsured. The goal of reform should be to provide comprehensive, but affordable, coverage for everyone. Tax credits fall short on these goals.

Tax credit proposals are designed to provide financial assistance for the purchase of private health plans that are becoming less and less affordable. The problem is that private plans are an expensive, inequitable, and administratively inefficient method of funding health care. They waste resources on their own administrative excesses and especially through the tremendous administrative burden that they place on the health care delivery system. And since tax credits do not cover the entire premium, many people still will be left without coverage simply because they cannot fund their portion.

Studies have shown that tax credits for individual plans would have only a very minimal impact on the numbers of the uninsured since uptake of the plans would be mostly offset by the incentives for employers to drop coverage for their employees. As the amount of the credit increases, the rate of termination of employer-sponsored plans also increases. Shifting employees to the individual market is a problem because premiums are higher for comparable coverage, benefits are lower, and cost sharing is greater. Those with the greatest need for coverage may be excluded from the individual market because of preexisting disorders.

Other studies have demonstrated that using tax policies to assist with the purchase of group plans is the most expensive method of expanding coverage. Large employers and government purchasers such as the Federal Employees Health Benefit Program have failed to control escalating costs. Middleman health plans were able to slow cost increases through provider contracting. But that sponge was wrung dry, and they no longer are able to further slow the growth in costs. Providing more federal funding would only add fuel to this health care cost explosion.

There is a way to provide affordable, comprehensive coverage for everyone. Replacing our fragmented, wasteful system of private plans, public programs, and no programs at all with a single, publicly funded and publicly administered universal insurance program would provide enough administrative savings to pay for comprehensive care for everyone, with no increase in our current level of health care spending. This has been demonstrated not only by microsimulation models, but also by the actual experience in other nations. And the United States has the unique advantage that the \$1.79 trillion that we are already spending is more than enough to ensure a capacity that would prevent excessive queues, and to continue to provide adequate incentives for future technologic innovation.

Instead of pouring more tax dollars into a wasteful, flawed, and inefficient system of funding care, let's adopt a much more equitable and affordable system. Our current private and public health care delivery system would function much more effectively under a publicly funded and administratively efficient system of insurance that truly covers everyone.

For the AMA's position, please see Dr. John C. Nelson's response at [www.pnhp.org/news/2004/april/pro\\_con\\_are\\_tax\\_cred.php](http://www.pnhp.org/news/2004/april/pro_con_are_tax_cred.php)

**"Of all the forms of inequality, injustice in health care is the most shocking and most inhuman."**

**-Rev. Martin Luther King Jr.**