



Election Year Health Proposals: What Would They Cost?

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Bottom Line

Kerry plan

- 27.3 million uninsured gain insurance
- \$1.5 trillion cost to federal budget over 10 years

Bush plan

- 6.7 million uninsured gain insurance
- \$128.6 billion cost to federal budget over 10 years

New estimate of Kerry plan

	<u>AEI</u> <u>2006-2015</u>	<u>Thorpe</u> <u>2006-2014</u>
Federal cost	\$1.5 T	\$653 B
Newly insured	27.3 M	26.7 M

Kerry Plan

Expand Medicaid

Premium rebate

Congressional Health Plan

Tax breaks

Offsetting savings

Medicaid Expansion

Expand eligibility for Medicaid and SCHIP

- Cover kids up to 300% of federal poverty level (FPL)
- Cover parents of kids up to 200% of FPL
- Cover all others up to 100% of FPL

Kerry “swap”

- Federal government assumes all costs for children in Medicaid in exchange for states expanding SCHIP

Medicaid Expansion: Cost

	<u>10-year cost</u>	
Feds pick up Medicaid kids*	\$436 B	
Kids up to 300% of FPL	\$153 B	
Parents up to 200% of FPL	\$163 B	
Others to 100%	<u>\$130 B</u>	
Total	\$881 B	—— 18.5 M newly insured

* Includes Kerry "swap" (\$331 B)

Premium Rebate

Federal government would reimburse employer insurance plans for 75% of per person costs that exceed a threshold

- Threshold set so that savings average 10 percent
 - Threshold= \$36,000 in 2006 (AEI), \$30,000 (Kerry campaign)
- To qualify, employers and insurers would have to:
 - provide health insurance to *all* employees
 - adopt disease management programs
 - pass all savings along to employees

10-year cost: \$573 B

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1.8 M newly insured

Congressional Health Plan

Plans with FEHBP contracts would offer similar plans to all comers

- Premium would depend on risks of enrollees
- Separately priced from FEHBP plan
- Tax subsidies for purchasing coverage through the CHP

Tax breaks

Small businesses: tax credit of up to 50% premium

Unemployed workers between jobs: 75% tax credit

Individuals aged 55 to 64: tax credit

Individuals: tax credit for premiums that exceed 6% of income

10-year cost: \$182 B — 7 M newly insured

Kerry plan: offsetting savings

10-year savings

Disease management	(a)
Health IT	(a)
Cut DSH payments	\$100 B
Cut MA payments	<u>\$ 16 B</u>
Total	\$116 B

(a) Less than \$100 million.

Kerry Plan: Total cost

	<u>AEI</u> <u>2006-2015</u>
Medicaid and SCHIP expansions	\$881 B
Premium rebate	\$573 B
<u>Tax breaks</u>	<u>\$182 B</u>
Total federal cost	\$1.6 T
<u>Offsetting savings</u>	<u>-\$116 B</u>
Net Cost	\$1.5 T
Newly insured	27.3 M

Major differences with Kerry campaign estimate

	<u>AEI</u> <u>2006-2015</u>	<u>Thorpe</u> <u>2006-2014</u>
Federal cost	\$1.5 T	\$653 B
Newly insured	27.3 M	26.7 M

- 10 years v. 9 years
- Higher outlays
- Lower savings

Comparison with Kerry campaign estimate

	<u>AEI</u> <u>2006-2015</u>	<u>Thorpe</u> <u>2006-2014</u>
Medicaid and SCHIP expansions*	\$881 B	\$518 B
Premium rebate	\$573 B	\$257 B
Tax breaks	\$182 B	\$177 B
Total federal cost	\$1.6 T	\$952 B
<u>Offsetting savings</u>	<u>-\$116 B</u>	<u>-\$299 B</u>
Net Cost	\$1.5 T	\$653 B
Newly insured	27.3 M	26.7 M

*AEI swap estimate: \$331 B, Thorpe: \$135 B

Bush Plan

Low-income tax credit

Small employer tax credit

Above-the-line deduction

Private insurance market reforms

Tax credits and deductions

Tax credits

- Tax credit of up to \$3,000 per family/\$1,000 per individual
- Some will take as \$1,000 HSA contribution/\$2,000 insurance (\$300/\$700 for individuals)
- Non means-tested credit for small businesses that set up HSAs

Tax deduction for high-deductible insurance

- Individuals who purchase low-premium, high-deductible insurance policies can deduct premium from taxable income

Bush Plan: Total Cost

	<u>AEI</u> <u>2006-2015</u>
Low-income tax credit	\$82 B
Small employer tax credit	\$21 B
Above-the-line deduction	\$22 B
<u>Private insurance market reforms</u>	<u>\$ 4 B</u>
Total cost	\$129 B
Newly insured	6.7 M