

Expanding health insurance coverage: Overview of the AMA proposal for reform

Problems

Problems in the U.S. health care system have become all too familiar: nearly 47 million uninsured, skyrocketing costs, dwindling employee health benefits, avoidable illness and premature death, and disparities based on race, ethnicity and income.

As patient advocates, physicians have a particular stake in finding viable, effective approaches to covering the uninsured. Expanding coverage to the uninsured is a top priority for the American Medical Association (AMA) and our proposal reflects important social values and traditions, such as assistance based on need, freedom of choice, market innovation and fairness.

Solutions

The AMA proposal to cover the uninsured uses an approach advocated by growing numbers of policy makers from diverse quarters. The AMA proposal is fiscally sound and permits flexible implementation; for example, by improving market regulations independent of other reforms, phasing in changes in government support or adopting reforms at the state level.

The AMA proposal to expand health insurance coverage has three main pillars:

1. Tax credits or vouchers

The first pillar is to provide subsidies for those who need financial assistance obtaining health insurance, provided in the form of tax credits or vouchers. This assistance should be more generous at lower income levels, and used only for the purchase of health insurance coverage. It is important to note that the government already gives people financial assistance to buy private health insurance—well over \$125 billion each year. The form of this support, however, is an income tax break on job-based health insurance, which gives more assistance to those in higher tax brackets and gives no assistance to those without employee health benefits. Shifting some of this existing subsidy into tax credits

or vouchers for lower income people would reduce the number of uninsured and improve fairness of the health care system. This can be achieved by putting limits on the existing tax break, for example, so that employees do not get bigger income tax breaks simply for purchasing more expensive health plan coverage. The government could use the resulting tax revenues to fund tax credits and vouchers for those who currently get little or no assistance. The limit also would encourage insurers, employers and employees to avoid excessively generous health plans, thereby curbing inflation in premiums and health care services.

2. Individual choice

It is imperative that individuals and families be able to choose what health plan to join. Today, people are effectively locked into the health plans their employers offer, often just one or two, and subject to change from year to year or with a change in employment. In contrast, people could use assistance provided through tax credits or vouchers to help pay for premiums of any available insurance, whether offered through a job, some other group purchasing arrangement or the individual market. Accordingly, people would have greater say in what types of benefits and plan features they value, and insurers would be more able and willing to experiment to develop plan designs people find most attractive. Coupled with individual choice, tax credits benefit recipients directly and benefit everyone indirectly by stimulating the market for health insurance. If enough people have enough purchasing power and enough say over how that purchasing power is used, insurers will be compelled to offer better, more affordable coverage options that are within reach of more people.

3. Insurance market regulation

The third pillar calls for fair “rules of the game” that include protections for high-risk patients and greater individual responsibility. A proliferation of state and federal health insurance market regulations has made it more difficult for some individuals and employers to find affordable health insurance in some regions of the country. Market regulations intended to protect people with health

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risks have often backfired by driving up premiums for younger, healthier people, leading them to drop coverage. We propose streamlined, more uniform market regulations that reward, not penalize, insurers for taking all types of patients.

To help high-risk people obtain coverage without paying astronomical premiums, additional government subsidies are needed. Such subsidies could take the form of risk-adjustment payments to individuals or insurers, reinsurance of medical expenses beyond some catastrophic limit or funding of separate high-risk insurance pools that allow insurers to keep premiums down in the “regular” market. Individuals also need to be encouraged to “play fair” by taking greater responsibility for obtaining health insurance without waiting until illness strikes or they need medical attention. People should have a guarantee that they will not lose coverage or be singled out for premium hikes due to changes in health status. At the same time, people who choose to be uninsured despite being able to afford coverage should face adverse tax consequences.

What's next

Over the course of 2008, the AMA will invest millions in advertising and events surrounding the upcoming presidential election to spur action to cover the uninsured as part of the Voice for the Uninsured campaign. Last year, the AMA reached out to voters and candidates to talk about the problem of the uninsured and the AMA's solution. This year, the campaign will focus on influencing Americans to vote with the issue of the uninsured in mind. Next year, post-election, the AMA will urge members of Congress to pass legislation to cover all Americans.

The AMA is also an active partner in Cover the Uninsured Week (CTUW), through which the AMA Medical Student Section has been organizing events that will raise awareness and build interest in covering the uninsured, helping to make the issue of the uninsured a focus of national discussion along with individuals and organizations from every sector of society.

Presently, the AMA supports intensifying outreach efforts to ensure that all children and adults who are currently eligible for Medicaid and the State Children's Health Insurance Program (SCHIP), which is up for reauthorization in 2009, become enrolled in these programs. Significant gains in coverage for eligible children can be achieved by removing enrollment barriers by adopting a one-stop shopping system to prove eligibility. During 2007, the AMA worked with members of Congress to reauthorize the SCHIP program and to reduce the number of uninsured children.

Visit www.voicefortheuninsured.org for more information about the AMA proposal.