

Overview of the AMA reform proposal

Problems of the U.S. health care system have become all too familiar: relentless growth in the number of the uninsured, skyrocketing costs, dwindling employee health benefits, avoidable illness, premature death, health disparities based on race, ethnicity and income ... Increasingly, many insured, middle-class Americans worry that rising health care costs will jeopardize their ability to access affordable coverage in the future for themselves and their families.

As advocates for patients, physicians have a particular stake in finding viable, effective approaches to ensure that everyone has health insurance coverage. The American Medical Association (AMA) has made covering the uninsured an ongoing, top priority, and its proposal to expand health insurance coverage and choice addresses the needs of all patients, regardless of income or health status. Through the “Voice for the Uninsured” campaign, the AMA is focusing public attention on health system reform as we move through the 2008 election cycle. The campaign encourages everyone to vote with these issues in mind and help drive change in the American health care system.

Synopsis

The AMA proposal to cover the uninsured and expand choice uses an approach advocated by growing numbers of scholars and policymakers from diverse quarters. The strategy is to pinpoint and address fundamental flaws in how people currently obtain and pay for health insurance in the United States, flaws that limit the availability and affordability of coverage, especially for those with low earnings or no employee health benefits. Dramatic improvement is possible by making better use of existing government resources devoted to health care and health care coverage, including the billions of dollars spent subsidizing employment-based private insurance. These resources should be drawn upon to, in essence, give people money to pay for a health plan of their choosing.

The AMA proposal would expand health insurance coverage and improve fairness by shifting government spending toward those most likely to be uninsured: people with lower incomes. It would also reduce the hidden bias favoring employment-based coverage, which provides special employee tax breaks for insurance obtained through an employer. Those without insurance through a job don't get this tax break, and would finally get assistance under the AMA proposal. Employees who are dissatisfied with their employers' health plan offerings could choose to buy insurance elsewhere and still be eligible

for assistance. Especially in this context, health insurance market regulations should be reformed to establish fair “rules of the game” that protect vulnerable populations without unduly driving up premiums for the rest of the population. Regulations should also foster market experimentation to find the most attractive combinations of plan benefits, cost-sharing and premiums.

In short, the AMA advocates a clear role for government in financing and regulating health insurance coverage, with health plans and health care services being provided through private markets, as they are currently. The AMA proposal gives patients more control over our nation's health care dollars, while increasing affordability and choice. It reflects important social values and traditions, such as assistance based on need, freedom of choice, market innovation and fairness. Pragmatically, the AMA proposal is fiscally sound and permits flexible implementation—for example, any one of these pillars could be implemented independent of other reforms.

Three specific actions are needed to achieve this vision of covering the uninsured and strengthening our nation's health care system.

Three pillars: The foundation of the AMA proposal

The AMA proposal to expand health insurance coverage and choice is based on three pillars:

- **Subsidies for those who most need financial assistance obtaining health insurance.** This assistance could take the form of tax credits or vouchers, should be more generous at lower income levels, and should be earmarked for 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—with an employee income tax break on job-based insurance that is hidden from public view. This tax break gives more assistance to those in higher tax brackets, and gives no assistance to those without employee health benefits. Shifting some or all of this assistance to tax credits or vouchers for lower-income people would reduce the number of uninsured and improve fairness in the health care system.
- **Choice for individuals and families in what health plan to join.** Today people are effectively locked into the health plans their employers offer, often just one or two plans,

which are subject to change from year to year. A change in employment typically means a change in insurance coverage. In contrast, under the AMA plan, people could use tax credits or vouchers to help pay for premiums of any available insurance, whether offered through a job, another arrangement or the open market. As with job-based insurance today, health plans would still have to meet federal guidelines for covered benefits, but people would have greater say in what types of benefits and plan features they value. Coupled with individual choice, tax credits benefit recipients directly, and 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.

■ **Fair rules of the game that include protections for high-risk patients and greater individual responsibility.**

For markets to function properly, it is important to establish fair ground rules. A proliferation of state and federal health insurance market regulations has made it more difficult and expensive for insurers to do business in many markets. The AMA proposes streamlined, more uniform health insurance market regulations. Regulations should permit market experimentation to find the most attractive combinations of plan benefits, cost-sharing and premiums. It is also important that market regulations reward, not penalize, insurers for taking all types of patients. People should have a guarantee that they will not lose coverage or be singled out for premium hikes due to changes in health status. Market regulations intended to protect people who have high health risks

typically have backfired, sometimes disastrously, by driving up premiums for younger, healthier people and leading them to drop coverage.

To help high-risk people obtain coverage without paying astronomical premiums, additional targeted government subsidies are needed for high-risk people that would allow insurers to keep premiums down in the regular market. Individuals also need to be encouraged to play fairly by taking responsibility for obtaining health insurance without waiting until illness strikes or medical attention is needed. People who are uninsured despite being able to afford coverage should face tax implications.

Conclusion

The three pillars of the AMA reform proposal, combined with careful consideration of ways to get the best value from health care spending, provide a prescription for achieving health insurance coverage for everyone. While additional details will have to be worked out, any meaningful course of action presents challenges of similar scope and magnitude. The AMA believes that unresolved questions can no longer stand in the way of action, and that covering the uninsured is both imperative and possible.

Visit www.voicefortheuninsured.org for more information on the AMA proposal and to view additional pieces in this series.

Health care costs

No health insurance reform proposal would be complete without giving serious consideration to managing health care costs. The AMA's work on developing solutions to address rising health care costs is ongoing, and its current focus highlights areas that physicians can influence. The AMA has identified four broad strategies to contain health care costs and achieve greater value for health care spending: reduce the burden of preventable disease; make health care delivery more efficient; reduce nonclinical health system costs that do not contribute to patient care; and promote value-based decision-making at all levels. The AMA's approach to gaining better control of health care costs is to ensure that we get the best value for our health care dollar.

