

# Update

January 11, 2008



## Presidential candidates weigh in with health reform proposals

As the presidential primaries kick into high gear, health care reform remains a top priority among voters. A full 84 percent of respondents ranked health insurance as the most important characteristic of a job, while total compensation ranked tenth in a recent poll examining attitudes toward employment and work conducted by the Center for State and Local Government Excellence. Responding to the pressure for change, leading candidates from both parties have proposed reforms to the health care system in the US. This *Update* reviews common themes in Republican and Democratic proposals, and includes a chart providing more detailed information on individual candidates' proposals.

### Democrats favor coverage mandates, play-or-pay

Democratic front-runners Sen. Hillary Clinton, former North Carolina Sen. John Edwards and Sen. Barack Obama have each put forth proposals aimed at achieving universal coverage, with employers providing employee health insurance or paying into a newly created health care system. Coverage would be mandatory for all under the Clinton and Edwards plans, while Obama would only require coverage for children.

To facilitate insurance purchasing, all three candidates would create state, regional or federal pools that would allow those without employer-provided coverage to obtain health care insurance at reasonable rates. Insurers in these pools would be required to guarantee issue of coverage to those that apply. Clinton and Edwards would prohibit consideration of age, gender, occupation and pre-existing health conditions in setting premiums. Edwards and Obama would require that insurers spend a certain amount of premiums on patient care.

## Presidential Candidates Health Reform Proposals

Provision	Clinton	Edwards	Giuliani	Huckabee	McCain	Obama	Romney
Universal Coverage	For "all Americans"	For "everyone"	No provision	No provision	Provide access to "all citizens"	For "all Americans"	Provide access to "every American"
Employer Play-or-pay	Large employers must offer coverage or contribute to system; tax credit for small employers; any employer may purchase from federal plan	All employers must offer coverage or contribute to system; any employer may purchase through regional market	No	No	No	Employers must offer coverage or contribute to system; small employer subsidies for purchase through new national plan	No
Tax Code Changes	Limit high-income employees' tax exclusion for employer paid coverage	No specific provision	Simplify HSA rules; tax exclusion for insurance and medical purchases; income-based tax credit	Health insurance tax deduction for individuals and families	Eliminate employer-sponsored plan preference; credit for insurance purchases; expand HSAs	No specific provision	Allow deductions for premiums and out-of-pocket expenses; change HSA rules
Individual Coverage Mandate	All must get and keep coverage; insurance will be affordable and accessible	All must obtain through employer, public program or regional market	No provision	No provision	No provision	All children must have coverage	No provision
Centralized Purchasing Pools	Create pools at state and federal levels	Create regional pools available to anyone lacking access to employer or public programs	No provision	No specific provision; states encouraged to become "laboratories" for new market-based approaches	No specific provision; give states flexibility to experiment	Create national Exchange offering private options, and new public health plan. Continue state initiatives	No specific provision; states can craft market reforms that meet their needs
Insurance Reforms	No pre-existing condition exclusions; issue and renewal guaranteed; disregard age, gender, and occupation in premium setting; minimum stop-loss ratios	Regional markets must guarantee issue, disregard age, gender, occupation and pre-existing conditions in setting premiums; at least 85% of premium must be spent on patient care	Allow purchase from out-of-state issuers	Expand HSA eligibility to all; make coverage portable from one job to another	Facilitate alternative practice forms and innovative policies; allow purchase from out-of-state issuers; standards and certifications for association health plans; providers practice nationwide	Exchange insurers must guarantee issue, disregard health status in premium setting, extend dependent eligibility; a "reasonable share" of premiums must be spent on patient care	Federal incentives to deregulate and reform state markets, reduce premiums and facilitate individual choice; allow purchase from out-of-state issuers

All three Democrats would provide performance-based provider incentives and promote the use of electronic medical records and other health information technology (IT) to improve the quality of delivered health care. Clinton would prohibit federal reimbursement of preventable errors, while Obama would require reporting of such errors, and Edwards would look to public-private collaboration to reduce so-called “never events.” All three candidates would seek improvements in disease prevention and management of chronic conditions.

### **Republicans look to tax code, market for solutions**

On the Republican side, none of the four leading candidates has embraced universal coverage as an objective, and neither employers nor individuals would be required to take steps to provide or maintain health insurance. Former New York City Mayor Rudy Giuliani, Sen. John McCain and former Massachusetts Gov. Mitt Romney all call for changes to current health savings account rules. Former Arkansas Gov. Mike Huckabee and Romney would allow income tax deductions for health insurance premiums, while McCain and Giuliani would provide a tax credit for health insurance purchases. Huckabee also would allow a credit for low-income families, while Romney would provide federal support for state income-based premium assistance.

In contrast to the major role centralized purchasing pools play in the Democratic proposals, none of the Republican candidates favor market intervention at the federal level. Proposals from Huckabee, McCain and Romney would encourage states to experiment with new market approaches that meet the needs of their populations. In line with the emphasis on market-based reforms, Giuliani, McCain and Romney would allow residents of one state to purchase insurance issued in a different state. All see the adoption of health IT as a key element for improving quality.

The Republican candidates have not put forth specific provisions addressing the cost and financing of their reform proposals. Giuliani, Huckabee and Romney all foresee savings resulting from increased market competition. Huckabee would encourage the private sector to seek ways to bring down costs, while Romney would deregulate state insurance markets. McCain’s proposal does not address cost and financing specifics.

### **Federal candidates eye state, local developments:**

As the candidates progress along the campaign trail this year, they likely will be keeping an eye on state and local health care reform developments as well as court cases challenging programs on grounds of ERISA pre-emption.

Proposed state-wide health reforms will be put before California voters later this year. And in Massachusetts, lawmakers will continue looking at ways to “tweak” its groundbreaking health care reform law being implemented in stages.

Coming up, a federal appeals court will decide whether to uphold a lower court finding that the employer “play-or-pay” mandate of San Francisco’s Health Care Security Ordinance violates ERISA. Believing the city is likely to prevail on appeal, the appeals court ruled the city may begin enforcing the mandate.



## For more information

For additional information, please contact your Mercer consultant.

*This **Update** is for information only and does not constitute legal advice; consult with legal and tax advisers before applying this information to your situation.*

## Conclusion

None of the candidates envision transforming the current health care system to a single-payer model – incremental change within the private insurance market and employer-based plans seem to be the preference of all. Which approach will prove a winning proposition with voters will be determined as the polls close in the various primary states.

## Authors

**Amy Bergner** is an attorney and principal in Mercer's Washington Resource Group. Amy has specialized in employee benefits for over 20 years, with a focus on health care and group benefits, including related state and federal laws. She can be reached at [amy.bergner@mercer.com](mailto:amy.bergner@mercer.com).

**Kelly Traw** is a principal and lawyer in Mercer's Washington Resource Group specializing in employee health and welfare benefits. Her expertise includes health savings accounts and other health care approaches to consumerism, retiree medical plan options under the Medicare Part D program, state laws affecting health and welfare benefit plans, HIPAA, and other tax, ERISA, and employee benefit issues. Kelly can be reached at [kelly.traw@mercer.com](mailto:kelly.traw@mercer.com).

**Kathleen Murray** is a principal and senior attorney with Mercer in San Francisco. She advises employers regarding health and welfare compliance with federal, state and local requirements. Ms. Murray leads Mercer's health and benefits legal team in the west. Kathleen can be reached at [kathleen.murray@mercer.com](mailto:kathleen.murray@mercer.com).

## Editorial Board

Amy Bergner  
Susan LeMaster  
Mark Major  
Kathleen Murray  
Chad Nicholl  
Henry Saveth  
Wade Symons  
Jennifer Wiseman

[amy.bergner@mercer.com](mailto:amy.bergner@mercer.com)  
[susan.lemaster@mercer.com](mailto:susan.lemaster@mercer.com)  
[mark.major@mercer.com](mailto:mark.major@mercer.com)  
[kathleen.murray@mercer.com](mailto:kathleen.murray@mercer.com)  
[chad.nicholl@mercer.com](mailto:chad.nicholl@mercer.com)  
[henry.saveth@mercer.com](mailto:henry.saveth@mercer.com)  
[wade.symons@mercer.com](mailto:wade.symons@mercer.com)  
[jennifer.wiseman@mercer.com](mailto:jennifer.wiseman@mercer.com)