



**NEWS RELEASE**

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The Commonwealth Fund today released an update of its analysis, *Health Care Reform Returns to the National Agenda: The 2004 Presidential Candidates' Proposals*. The report, by the Fund's Sara Collins and Karen Davis and Jeanne Lambrew of George Washington University, has been revised to reflect the latest versions of the proposals, numbers of uninsured they would cover, and their estimated costs.

The analysis notes that the proposals offer two different visions for the future of American health care. President Bush stresses individual choice, responsibility, and ownership and would provide tax incentives to low-income individuals to purchase their own coverage. Senator Kerry would build on the current system of employer coverage, improving its affordability through federal assumption of catastrophic expenses and premium tax credits. He would also expand coverage under state health insurance programs for children and adults in low-income families.

"Americans are concerned about the growing numbers of uninsured, rising health care costs and medical debt, and their ability to get health care when they need it," said Fund President Karen Davis. "The good news is that both candidates are acknowledging these concerns with proposals that aim, to varying degrees, to increase access and affordability of coverage, particularly for those with low incomes and for businesses, and to address rising costs by promoting quality improvement and cost containment measures."

Estimates of the cost of Senator Kerry's plan range from \$653.1 billion to \$1.3 trillion over 10 years, compared with \$90.5 billion to \$195.4 billion for President Bush's plan, the report says. Senator Kerry's plan is more expensive because it would cover more of the 45 million currently uninsured Americans (25 to 27 million) than President Bush's plan (2 to 8 million), it notes.

(more)

**Comparison of Candidates' Health Insurance Expansion Proposals: Coverage and Costs**

	Bush	Kerry
Total Uninsured Covered, Millions	2 to 8	25 to 27
Employer-Sponsored Coverage	—	2 to 3
New Group Insurance Option	—	2 to 6
Private Insurance Market	2 to 8	—
Medicaid/CHIP	—	18 to 21
Medicare	—	—
Uninsured Not Covered, Millions*	37 to 43	18 to 20
Total Cost, 2005-2014 \$Billions**	\$90.5 to \$195.4	\$653.1 to \$1,304.3

As of October 2004

\* Based on 2004 Current Population Survey estimate of 45 million uninsured.  
\*\* The Lewin Group and the American Enterprise Institute estimate costs over 2006-2015, but only costs which occur over 2005-2014 are shown here.  
Source: The Commonwealth Fund, based on U.S. Department of the Treasury; Congressional Budget Office; Kenneth E. Thorpe, Emory University; the Lewin Group; and AEI.

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Highlights of each proposal:

**President Bush**

**Tax credits:** Credits would be made available to help low-income individuals buy individual insurance policies. Single adults with incomes of \$15,000 to \$30,000 would be eligible for credits worth up to \$1,000 a year. Families with two or more children and incomes of \$25,000 to \$60,000 would receive up to \$3,000 in credits per year.

**Health Savings Accounts:** HSAs—tax-exempt savings accounts for certain medical expenses—would be expanded to allow participants to deduct their premiums for high-deductible plans (deductibles of over \$1,000 for an individual, \$2,000 for a family).

**Association Health Plans (AHPs):** Supports AHPs—new health plans sponsored by professional and trade associations and other groups outside the workplace that would be federally licensed and exempt from most state insurance laws.

**Public insurance expansion:** Establishes a two-year initiative to enroll uninsured children eligible for Medicaid and the Children’s Health Insurance Program (CHIP).

**Cost containment and quality improvement:** \$250,000 cap on non-economic damages for malpractice to address rising costs; improves quality by boosting funds for information technology (IT); calls for electronic medical records (EMRs) for all Americans within 10 years.

**Comparison of Coverage and Cost Estimates for President Bush’s Health Plan, 2005–2014\***

	Treasury	CBO	Thorpe	Lewin Group	AEI
Uninsured Covered (Number in Millions)	NA	NA	2.1 to 2.4	8.2	6.7
Net Federal Government Cost (\$Billions)	\$104.4	\$113	\$90.5	\$195.4	\$110.1
Low Income (\$Billions)	70.1	61	49.2	119.6	71.1
HSA Deductions (\$Billions)	24.8	25	32.8	36.9	17.3
Small Employer Tax Credit (\$Billions)	NA	NA	NA	4.5	17.7
Other (\$Billions)	25.2	27	8.5	51.8	4.0
Gross Federal Government Cost (\$Billions)	120.1	113	90.5	212.8	110.1
Offsetting Savings (\$Billions)	(15.7)	NA	NA	(17.4)	NA
State and Local Government Cost (\$Billions)	NA	NA	NA	(17.2)	NA
Net Federal, State, and Local Government Cost (\$Billions)	NA	NA	NA	\$178.2	NA

As of October 2004

\* The Lewin Group and the AEI estimate costs over 2006–2015, but only costs which occur over 2005–2014 are shown here.

Source: The Commonwealth Fund, based on U.S. Treasury; CBO; Kenneth E. Thorpe, Emory University; the Lewin Group; and AEI.

**Senator Kerry**

**Tax credits:** Uninsured individuals who buy coverage in a new group insurance option, the Congressional Health Plan (CHP), eligible for credits to help pay for premiums exceeding 6% to 12% of their income.

**New group insurance option:** Congressional Health Plan, established within Federal Employees Health Benefits Program, would be open to individuals, and employers who need affordable coverage.

**Cost protection for employers:** Employer health plans would be reimbursed for 75% of catastrophic costs above an annual threshold (\$30,000 in 2006).

**Public insurance expansion:** Would help states cover health insurance costs for children enrolled in Medicaid as incentive to increase children’s and parents’ enrollment in CHIP. Children automatically enrolled when they go to school.

**Cost containment and quality improvement:** Premium rebate pool established to reduce costs for employer and enrollees in the CHP. Features to reduce malpractice costs include sanctioning cases that make improper claims and establishing stricter guidelines for award of punitive damages. Includes “Quality Bonus” for reduction of medical errors, better outcomes, and investment in modern IT, computerized ordering of drugs, and reporting of medical errors. “Technology Bonus” would ensure EMRs for all by 2008 and adoption of modern computerized methods for health care transactions.

**Comparison of Coverage and Cost Estimates for Senator Kerry’s Health Plan, 2005–2014\***

	Thorpe	Lewin Group	AEI
Uninsured Covered (Number in Millions)	26.7	25.2	27.3
Net Federal Government Cost (\$Billions)	\$653.1	\$1,075.0	\$1,304.3
Low Income (\$Billions)	518.0	474.7	752.3
Employer Reinsurance and Premium Assistance (\$Billions)	323.6	548.2	601.7
Employee Premium Assistance (\$Billions)	110.2	206.2	52.7
Gross Federal Government Cost (\$Billions)	951.8	1,229.1	1,406.7
Offsetting Savings (\$Billions)	(298.8)	(154.1)	(102.4)
State and Local Government Cost (\$Billions)	NA	(301.7)	NA
Net Federal, State, and Local Government Cost (\$Billions)	NA	\$773.3	NA

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\* The Lewin Group and the AEI estimate costs over 2006–2015, but only costs which occur over 2005–2014 are shown here.

Source: The Commonwealth Fund, based on U.S. Treasury; CBO; Kenneth E. Thorpe, Emory University; the Lewin Group; and AEI.