



NEWS RELEASE

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**New Analysis of Presidential Candidates’ Health Plans Details
Divergent Approaches to Health System Reform**

*Candidates’ Plans Differ on Roles of Employer Coverage and Individual Market,
Number of Uninsured, Financial Risk to Americans*

October 2, 2008, New York, NY—A new report from The Commonwealth Fund examines key differences and areas of agreement in the health system reform proposals of presidential candidates Senator John McCain and Senator Barack Obama. In the report, [*The 2008 Presidential Candidates’ Health Reform Proposals: Choices for America*](#), the authors describe how both plans seek to expand health insurance, but Senator McCain would encourage individuals to select their own coverage through the individual insurance market while Senator Obama would strengthen employer coverage and public programs. As a result, the proposals differ in how many people would be covered, and the extent of financial protection for families against the cost of health care.

Senator Obama proposes to maintain and build on the nation’s current employer and public insurance system and would require employers—except small businesses—to offer coverage to their employees or contribute to the cost. Employers currently provide insurance to more than 160 million people—coverage that would continue under the Obama plan. In addition, Obama would also provide tax credits to small businesses to buy coverage.

Key Differences In The Presidential Candidate’s Health Reform Plans

	McCain	Obama
Aims to Cover Everyone	Not a Goal	Goal
Rules for Individual Insurance Markets	Minimum State Rules	Uniform National Rules
Employer Role in Providing Health Benefits	Reduce	Expand
Medicaid / SCHIP	Reduce	Expand
Families Exposure to Health Care Costs	More	Less
Requirements to Have Coverage	None	Children Only
Leverage to Stimulate Improvement in Quality and Efficiency	No change from current system	More
Uninsured Covered After 10 Years*	2 million	34 million

*Estimates of uninsured covered from L. Burman, et al. *An Updated Analysis of the 2008 Presidential Candidates’ Tax Plans*: Updated September 12, 2008, Urban Institute-Brookings Institution Tax Policy Center.
Source: S.R. Collins, et al. *The 2008 Presidential Candidates Health Reform Proposals: Choices for America*, The Commonwealth Fund, October 2008.

Senator McCain proposes a shift away from the current system of employer-based insurance. His proposal would count employer contributions to health insurance as

taxable income to workers. He would then use these tax revenues to help finance tax credits—\$2,500 for individuals and \$5,000 for families—which people can use to pay their share of their employers' plan premiums or to buy a plan on the individual market. However, this change has the potential to reduce the incentive of many employers, particularly smaller ones, to continue to provide health insurance.

The plans are rooted in differing philosophies: Senator Obama's plan focuses on sharing responsibility for health care coverage among employers, the government, and families, while Senator McCain's plan aims to place more responsibility for coverage upon families and provide greater portability.

The Role of the Individual Insurance Market

The individual insurance market would play an expanded role in McCain's plan. His proposed tax code changes would encourage more people to purchase their own coverage and would let them buy insurance from companies in other states. While this would expand choices for healthy people, allowing purchases across state lines would eventually remove consumer protections currently in place in some states, potentially reducing access for older people and those with health problems. McCain has proposed to cover those with pre-existing conditions by expanding state high-risk pools.

Obama proposes a National Health Insurance Exchange where small businesses, self-employed individuals, and people without coverage could purchase a private or public plan similar to that offered to members of Congress and federal employees. Small businesses would be eligible for tax credits to offset premium costs, and affordability for families would be guaranteed through premium assistance on a sliding scale based on income. Insurers could not reject applicants or charge higher premiums because of pre-existing conditions or other health risks.

“Senator Obama is proposing to build on the broadest risk pools in the system, strengthening large employer-sponsored coverage and expanding Medicaid and the State Children's Health Insurance Program, while fixing the individual insurance market with consumer protections, benefit standards, and income-related premium assistance,” said Sara Collins, lead author of the report and assistant vice president at The Commonwealth Fund. “Senator McCain's plan would shift coverage away from employers to the individual market, letting people make their own insurance choices but potentially making coverage unaffordable or unavailable for those who are older or who have serious health risks.”

The Uninsured

The candidates' proposals differ widely in their potential impact on the uninsured. Researchers at the Urban Institute/Brookings Institution Tax Policy Center have estimated that McCain's plan would reduce the number of uninsured by 2 million out of a projected 67 million in ten years, compared with 34 million uninsured covered in ten years under Obama's plan.

Other differences between the candidates' plans include:

- **Universal coverage.** Senator Obama supports universal coverage as a goal. Senator McCain would propose expanding access to health insurance but has not said covering everyone is a goal.
- **Medicaid and SCHIP.** Senator Obama would make it possible for more low-income families to qualify for these programs by increasing eligibility standards. Senator McCain would allow states to use Medicaid funds in a way that allows eligible families to buy private insurance, but this could fragment the program's risk pools into healthy and less healthy groups.
- **Required coverage.** Senator McCain would not require anyone to have health insurance. Children would be required to have health insurance under Senator Obama's plan.
- **Cost.** The Urban/Brookings Tax Policy Center estimates that Senator McCain's plan will cost the federal budget \$185 billion and Senator Obama's plan \$86 billion in the first year. Over ten years, Senator McCain's plan would cost \$1.3 trillion and Senator Obama's \$1.6 trillion.

Quality and Efficiency Improvement

Both candidates offer strategies to improve the quality and efficiency of health care such as expanding the use of health information technology, evaluating the comparative effectiveness of medical treatments, and changing the way providers are paid. Both candidates would implement new initiatives through public programs (Medicare, Medicaid, and SCHIP) and their participating private providers and insurance carriers. But Senator Obama's new national insurance exchange would provide an additional arena to pursue quality improvement strategies in a systematic way.

Measured against key principles to move the health system toward high performance set forth by the Commonwealth Fund's Commission on a High Performance Health System, Senator Obama's plan shows greater potential for making care more affordable, accessible, efficient, and higher quality, though it will likely fall short of covering everyone. Senator McCain's plan to rely on an unregulated individual insurance market is, by itself, unlikely to achieve universal coverage and will increase U.S. annual spending on insurance administration; state high-risk pools for those denied coverage in the individual market would likely be particularly expensive.

"In the current economic crisis, more families are concerned about losing jobs and health insurance coverage. It is even more critical to act now to reform our health system to ensure affordable, efficient, high-quality health care to all Americans," said Commonwealth Fund President Karen Davis. "As a nation, we need from our next President a long-term vision that will ensure economic security for families, and a healthy and productive workforce for the future."

The Commonwealth Fund is a private foundation supporting independent research on health policy reform and a high performance health system.