



from the October 01, 2004 edition - <http://www.csmonitor.com/2004/1001/p01s03-uspo.html>

## Rival views of the government's role

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**WASHINGTON** - The one issue that most clearly demonstrates the ideological divide between John Kerry and George W. Bush, and the parties they represent, may well be healthcare.

Their positions on Medicare, health insurance, drug costs, and related subjects have been shaped by years of partisan battle - and bipartisan progress - affecting virtually all US voters. Senator Kerry wants to expand the federal government's healthcare role and spend more money, but would generally work within existing systems. President Bush proposes to spend less - but also urges radical restructuring of the health-insurance market, with many more Americans buying coverage themselves.

Whoever wins is likely to face intense pressure from voters and lawmakers to do something about rising costs and the growing number of the uninsured. Polls show that healthcare ranks among voters' top worries.

"Lack of health insurance is a serious matter for millions of Americans, and the political resolve to address the problem may be at hand," concludes Joseph Antos, a healthcare scholar at the American Enterprise Institute (AEI), in a recent report on the subject.

Enacting fixes remains a daunting challenge, as recent news shows. On average, worker costs for medical insurance have risen by 36 percent since 2000, according to a new study by Families USA.

The main premium paid by Medicare beneficiaries is set to rise 17 percent next year. Meanwhile, the Census Bureau reports that in 2003 the number of Americans without health insurance hit a record 45 million, about 15.6 percent of the population.

These trends may be the result of tepid economic growth, placed in a context of an explosion in medical technology and drug development. Furthermore, when it comes to health treatment, most Americans want the best they can get for themselves and their families - and Medicare and most health insurance buffers them from the economic consequences of treatment decisions.

"The reason we have a cost problem is that the person consuming the services is insulated from the cost of those services by third-party payment," said Dr. Daniel Johnson, a former president of the American Medical Association, at a recent Heritage Foundation symposium.

Kerry, in addressing these issues, takes a traditional Democratic approach. His proposals amount to far less than the overhaul of the healthcare system proposed by President Clinton, but they nevertheless would amount to a significant additional commitment of federal funds.

Kerry would encourage employers to offer their workers health insurance by having the federal government reimburse them for 75 percent of the cost of their most expensive beneficiaries - those whose medical costs are \$50,000 or more a year. He would also create a new Congressional Health Plan that would allow both individuals and businesses to buy US-subsidized coverage.

Kerry proposes to expand existing government healthcare safety-net programs, such as Medicaid and the State Children's Health Insurance Program, to cover 18 million more children and poor and near-poor adults. He would also push tax credits to help individuals with high out-of-pocket medical costs, and he supports allowing the federal government to negotiate directly with drug providers.

According to Kerry's campaign, his plan would provide coverage to about 25 million people who are currently uninsured, and would cut costs for people who now have insurance by about 10 percent. It would cost about \$653 billion over 10 years - money that would be raised by eliminating Bush's tax cuts for those making over \$200,000 a year.

"We can all talk about these programs and our approaches, but unless you are willing to put the dollars behind them you really can't do much except talk," said Sarah Bianchi, Kerry-Edwards policy director, at a recent Kaiser Family Foundation health briefing.

Few outside experts say that Kerry's plan would "nationalize" healthcare, as Bush has charged. It largely fills in holes in the existing system. But some,

such as Mr. Antos of AEI, estimate that the price tag for the Kerry program would run higher than estimated - perhaps as high as \$1 trillion over 10 years.

Bush, in contrast, proposes plans that would cost much less. At the same time, he is pushing a more drastic change in the healthcare system - moving people away from employer-provided insurance to individually purchased insurance.

Bush's plan to help cover the currently uninsured revolves around tax credits. He proposes a new credit for low-income people of \$1,000 - \$3,000 for families - that could be used to help buy health policies on the open market.

These tax credits could also be used to put money into Health Savings Accounts, which represent the more radical aspect of Bush's proposed changes.

These HSAs were first enacted into law in 2003. They currently allow taxpayers who purchase high-deductible insurance plans to sock away cash tax-free. These savings can then be withdrawn to help pay their correspondingly high out-of-pocket healthcare costs.

Bush wants to expand HSAs, in part by providing small businesses a tax credit of \$200 per person (\$500 for families) for HSA contributions. These accounts would allow people to take their healthcare dollars from job to job. This is something that anyone who has stayed in a job just to get the health benefits might appreciate, say Bush supporters. That way "individuals have more control over their health spending and health decisionmaking," said Colin Roskey, a Washington lawyer representing the Bush campaign, at the Kaiser health symposium.

Bush campaign officials put the cost of their plan at \$145 billion over 10 years. They say it would add some 11 million people to the ranks of the insured, though some outside experts say the figure would be much lower.

In addition, Bush urges the enactment of caps on the punitive damages in medical malpractice suits. Such caps could reduce malpractice insurance costs, and hence medical costs overall, he says. This is not something the Kerry-Edwards ticket supports, which is not surprising, given that vice-presidential candidate John Edwards himself was a highly successful trial lawyer.

Kerry, for his part, wants to legalize the reimportation of US-made drugs from abroad, where they are often cheaper. The White House has said it is studying this issue to determine if that would be safe.

Overall, 2005 is likely to see some sort of new health legislation in Washington, whoever wins. "Democrats were chastened by the failure of the Clinton plan, and Republicans have always avoided healthcare, but that's changed because of political pressure," says Jeff Lemieux, head of Centrists.Org, a Washington think tank.

## Healthcare highlights

### Bush

- Would offer an annual tax credit to buy healthcare coverage and expand community healthcare centers. Supports "association health plans" for small-business employees.

### Kerry

- Would allow all Americans to join the federal employee health plan. Wants federal government to cover costs for all American children and states to cover some low-income adults.

SOURCE: National Journal, campaign websites

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