The Kerry-Bush Health Care Proposals: A Characterization and Comparison of their Impacts on Connecticut

EXECUTIVE SUMMARY

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In Connecticut 357,000 people, 10.4% of the state's population has no health insurance and 71,000 of them are children.[1] This lack of coverage reflects the high cost of health insurance. Health care premiums, already expensive, are increasingly moving beyond the reach of employers and individuals alike. But inadequate insurance carries its own high price tag. Often the uninsured will skimp on medical care to cut costs, but by failing to address health concerns early when they're relatively easy to treat, the problems can fester to the point where treatment costs become exorbitant. Ultimately, health care providers and taxpayers are saddled with the bill for uncompensated health care services and employers suffer higher employee absences and lower worker productivity.

Both presidential candidates have plans to cut insurance costs and raise the number insured but neither proposes comprehensive changes to the current health system.

The Universal Health Care Foundation of Connecticut commissioned the Connecticut Center for Economic Analysis (CCEA) to develop Connecticut-specific projections of the number of newly insured and the costs to the federal and state governments of implementing each candidate's plan. CCEA's analysis uses public information about their plans as of August 2004, and assumes full implementation of each candidate's proposals.

Of the two, the Bush plan is the more modest. It would encourage people to purchase comprehensive insurance coverage with high deductibles by using tax credits and tax deductions that would pay for about one-third of the cost of premiums. To help pay routine medical expenses, the Bush plan would establish tax-exempt health savings accounts. And to help small businesses, Bush would encourage the expansion of "association health plans" that he would exempt from state mandates[2] on coverage and premiums. Bush would offer $1 billion to states to increase Medicaid enrollment.

The Kerry plan is more ambitious. Kerry proposes creating a new insurance program modeled on the current plan for federal employees. Under the Kerry plan, the federal government would act as a re-insurer for catastrophic costs, freeing businesses and group insurers from one of the costliest elements of health care. And to raise the number of insured, Kerry would subsidize employers who offer health coverage and expand federal support for Medicaid and the Children's Health Insurance Program, saving states billions of dollars.

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[1] National and state figures based on most recent 2004 release of the U.S. Census Bureau's Annual Social and Economic Supplement to the Consumer Population Survey at http://www.census.gov/hhes/www/hlthin03.html

[2] States provide consumer protections that limit how much insurers can charge older or sicker groups; limit how frequently premiums can be increased; guarantee access to an independent, external review panel when a claim is denied; cover benefits, such as well baby care, maternity, mammography screening, mental health services, and substance abuse/alcoholism treatment; contain prompt pay laws for physicians and hospitals. See http://bcbshealthissues.com/relatives/20424.pdf for details of the 50 states' mandates.

The Kerry plan would insure 181,936 Connecticut residents now without insurance and cost the federal government $528.1 million. The Bush plan would insure 11,448 Connecticut residents now without insurance and cost the federal government $139.9 million.

Bush and Kerry Plan Comparison for Connecticut

	Bush Plan	Kerry Plan
Newly Insured	11,448	181,936
Total Cost of Insurance	$1,017.1 million	$1,582.9 million
Federal Cost	$141.6 million	$528.1 million
State Cost (Savings)	NA	$346.2 million (savings)

Under the Kerry plan, 8,912 additional small businesses would begin to offer insurance, 70,422 previously uninsured workers would gain access to health coverage, and premium costs would drop as much as 49.5%.[3] Under the Bush plan, 471 businesses would begin to offer insurance, 9,804 more workers would gain coverage and costs would decline 13% for those in association health plans.

Among low-income individuals, the Kerry plan would expand the number of insured by 22,950, while the Bush plan would raise the number just 9,328. Neither plan would significantly change the number of children insured because Connecticut already insures children in low-to-moderate income households. Under a special Kerry tax credit, premiums for the 'near-elderly' (55-64) would fall 22.5%[4] increasing the number insured by 732. The Bush association health plans and health savings accounts with high deductibles could prove attractive to healthy, young adults in Connecticut, potentially reducing their numbers of uninsured.

Hispanics and African-Americans, statistically less likely to purchase insurance on their own, are also less likely to benefit from either candidate's tax credit proposal. But the expansion of Medicaid could increase the number of minority enrollees. And the Kerry plan, which ends the five-year waiting period for legal immigrants to become eligible for Medicaid, should further raise minority enrollments.

Neither plan comprehensively reforms the health insurance system or provides insurance to everyone. The Kerry plan insures 170,000 more residents than the Bush plan and costs the federal government $386.2 million more than the Bush plan. Both plans leave some Connecticut residents ***without*** insurance--175,000 (49%) under the Kerry plan, 346,000 (97%) under the Bush plan. Each plan differs in emphasis: the Kerry plan expands the current system; the Bush plan emphasizes moving away from group insurance, and toward individual plans with high deductibles.

[3] Based on a 50% tax credit on 100% employer contribution and a 1.5% reduction in premiums.
[4] This figure comes from a 10% reduction in overall premiums and 25% tax credit on the reduced premium.