

“Small Bill” Proposal for Sensible Health-Care Reform

To make health insurance more accessible, affordable, and portable — without threatening the quality of care or the preexisting insurance of millions of Americans:

1. End the unfair tax on the uninsured (and self-insured), giving them a tax-break similar to that which is already available to those with employer-provided insurance. Provide refundable and advanceable tax-credits of \$2,000 per person, up to \$5,000 per family. *LEAVE EMPLOYER-PROVIDED INSURANCE, ITS TAX-EXEMPT STATUS, AND THE REST OF THE TAX CODE, INTACT.* (Increase in government spending: none. Average reduction in taxes: \$34.5 billion/year (see * below), offset by using unallocated economic stimulus funds.)

2. Allow Americans to buy insurance across state lines. Allow Americans to shop for coverage from coast to coast — whether from lower-mandate states at lower prices, or from higher-mandate (additional-coverage) states at higher prices. Allow plans bought in one state to be transported to another. (Increase in government spending: none.)

3. Expand Americans’ ability to keep their insurance when they leave their job. COBRA allows former employees to pay the costs of their insurance premiums (including the employer’s former share) and thereby keep their insurance in effect, but only for 18 months. Expand COBRA by 12 months, allowing people to keep their insurance for up to 30 months if they have not yet secured a new job with an employer-sponsored plan. (Increase in government spending: none.)

4. Allow lower premiums for healthier lifestyles. Existing federal regulations ban private companies from offering more than a 20 percent discount to those who eat and drink in moderation, exercise, or don’t smoke. Such regulations handcuff private efforts to reward healthier lifestyles and to thereby cut health costs — and they should be eliminated. (Increase in government spending: none.)

5. Cut costs by preventing runaway malpractice lawsuits. Relieve doctors from having to practice defensive medicine, by capping punitive damages at \$250,000 per provider and \$750,000 total, while continuing to allow unlimited economic damages to compensate for financial loss. (Increase in government spending: none.)

6. Provide further help for those who are uninsured and have expensive preexisting conditions, by increasing federal support for state-run high-risk pools. Thirty-four states already have pools to help those who have been denied affordable coverage because of prohibitively expensive preexisting conditions, and we should incentivize their establishment in all 50 states. (Federal (DSH) funds currently covering emergency-room care would gradually fund the pools, as reliance on emergency-room care is reduced. Increase in government spending: \$15 billion in the first year, gradually dropping to \$0.) (See ** below.)

10-Year Scorecard		
	Baucus Bill	"Small Bill"
Spending Increases	\$856 billion	\$75 billion
Tax Increases	\$354 billion	\$0
Tax Cuts	\$2 billion	\$345 billion*
Increased Fines	\$47 billion	\$0
% Americans Insured	95%	95%
20-Year Scorecard		
	Baucus Bill	"Small Bill"
Spending Increases	\$2.9 trillion**	\$0.1 trillion
Tax Increases	\$2.0 trillion**	\$0
*All for the uninsured or self-insured		
**According to CBO projections		

Ten-year totals: \$15 billion in increased spending in Year-1, gradually declining to \$0 in Year-10; average of \$34.5 billion per year in tax cuts — all for the uninsured or self-insured.

*28 million Americans are uninsured (46 million minus 9 million non-citizens minus 9 million on Medicaid who said they were uninsured (Census)). An estimated 7 million have only self-purchased insurance and aren’t eligible for the self-employed tax-exemption, making 35 (28 + 7) million eligible. With an average tax-credit of \$1,600/person, if initially 1/3 and eventually 3/5 of those eligible either already have insurance or buy it, the total tax-reduction would be \$19-50 billion/year, and 95 percent of Americans would be insured by year-10. (If that percentage lowers, fewer tax-credits would be given.)

**A federal survey cited by the CBO indicates that 1-1.5 million Americans are uninsured because of preexisting conditions. Safely assuming twice that many (2-3 million), each would get \$5,000-\$7,500, plus a tax credit of \$2,000, for a total of \$7,000-\$9,500 per year in federal relief.