

Affordable, Accessible, And Flexible Health Coverage

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Policy Goals

- Get higher-value care for our health spending
 - Use health care resources where they do the most good
 - Continue to promote innovation and highest quality care
- Reduce inequities
 - Level the playing field and spread benefits more broadly
- Make health care more affordable
 - Help bring health insurance within reach for the uninsured
 - Bring cost growth down to make sure insurance stays affordable for the insured (and taxpayers)

Why Aren't We Getting More for Our Money?

- Health spending is rising rapidly, but evidence that we could get more
- Tax treatment creates an unbalanced playing field
 - Two biases
 - Biased against people buying insurance on their own, rather than through employer
 - Biased against people buying basic plans, rather than more expensive ones
 - Not only unfair, but inefficient
 - Penalty for buying basic plans drives use of lower-value health care, raising costs for everyone

The President's Plan

- Standard Deduction for Health Insurance
 - Eliminate both biases in the tax code – more fair and more efficient
- Affordable Choices Initiative
 - Help States ensure access to affordable, basic private insurance through Waivers and Grants by subsidizing low-income and chronically ill
- Ongoing efforts to expand access to information and affordable insurance

How the SDHI Works

- Anyone covered by a private policy would get the standard deduction
 - \$15,000 for families, \$7,500 for individuals
 - Would apply to both income and payroll taxes
 - Would be available to taxpayers under the AMT as well
 - Would replace the current tax-preference for employer-based insurance relative to other compensation
- Employers would continue to deduct health insurance (like wages and other benefits) from their taxable income – just like now

How Would Different Groups Fare?

Uninsured

- Dramatically lowers cost of insurance
- Leads to millions more insured

Individual purchasers

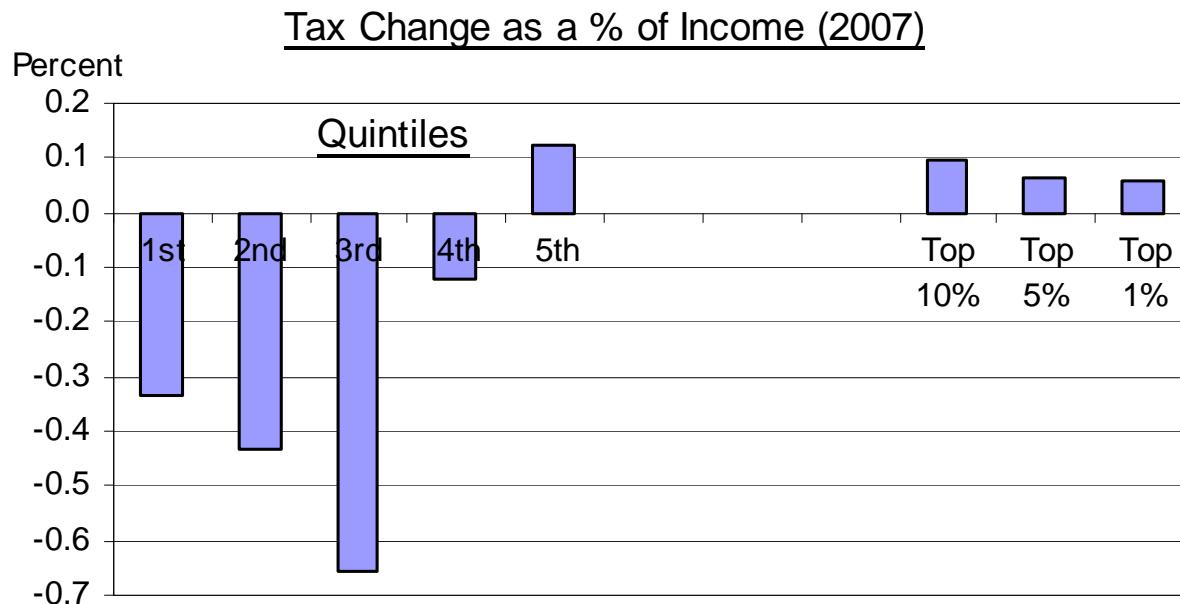
- Provides much-needed tax relief

People insured through jobs

- Removes bias against wages relative to HI, bias against different types of insurance
- Most would see tax bills go down
- Nothing else would change for employers – they would still pay no taxes on their compensation costs

Overall Effects of SDHI

- Revenue-neutral over 10 years
- Millions more insured
- Slow growth of overall health spending
- Progressive



Note: Quintiles begin at: 2nd \$13,310; 3rd \$28,507 ; 4th \$50,448; 5th \$87,758; top 10% \$128,676; top 5% \$177,816; top 1% \$432,275.

Affordable Choices Initiative

- Key component of overall policy
 - Particularly important for low-income or chronically-ill
- Partner with States to help those who are poor and sick obtain affordable private coverage
- Change funding for the uninsured
 - Devote resources to getting people insured, rather than reimbursing institutions after-the-fact for uncompensated care

Common Questions

- How will this help low-income people?
- How will this help sick uninsured people?
- Will this undermine employment-based insurance?
- How will this make health insurance more affordable?
- How will this actually work in practice?

Improving the Health of Our Health Care System

By making the way we finance health care more fair and more efficient, we can make our dollars go further to make health care more affordable for everyone