

# Affordable, Accessible, And Flexible Health Coverage

---

Katherine Baicker  
Member, Council of Economic Advisers

# 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

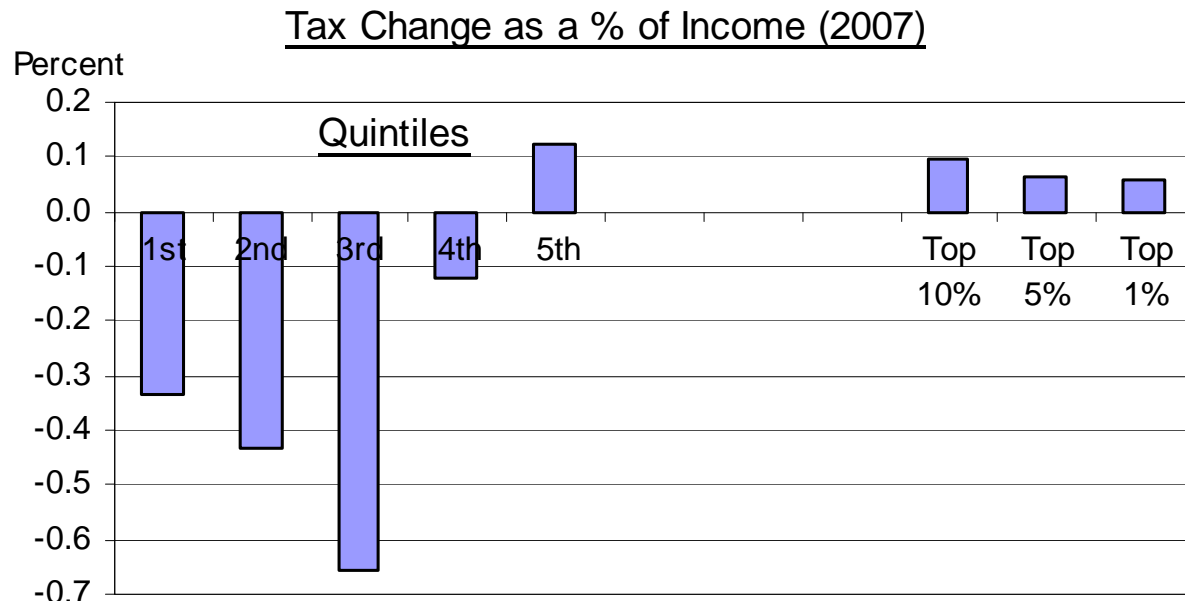
## **People insured through jobs**

- 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