

Obama's Health Plan: Coverage, but at What Price?

A decorative graphic at the bottom of the page featuring a stylized American flag. It consists of a red field with white stars, a white field with blue stars, and a blue field with white stars, all separated by white wavy lines that create a sense of movement and flow.

Barack Obama's Health Care Plan at a Glance

President-elect Barack Obama would make reasonably priced, comprehensive, government-sponsored health insurance available to every American. Obama would cultivate insurance industry reform through a National Health Insurance Exchange, where individuals could buy coverage, including the government plan, that meets generous standards. Obama would target subsidies to low-income people buying insurance through the exchange. Small businesses would get a tax credit to offset premium costs, while bigger companies that do not provide health insurance would face new taxes to help underwrite the government program. Parents would be required to insure their children. Obama hopes to lower the cost of and improve care, and also supports a number of other health initiatives.

The Obama Agenda, in Detail

Democrat Barack Obama's [proposal](#) is as at least as sweeping as his opponent's, but in a different way. It is certainly much more elaborate, detailed in a 15-page position paper [pdf](#). Obama pledges to "tackle the root causes of health disparities" in ways big and small.

Restructuring Insurance

Obama would create a national health plan available to all Americans, including the self-employed and small businesses. The plan would feature comprehensive benefits, similar to those offered to federal employees (including members of Congress), and would guarantee eligibility. The insurance would be portable and affordable. Participating insurance companies in the new public program would be required to demonstrate that they meet standards for quality, health information technology, and administration.

Additionally, Obama would develop a National Health Insurance Exchange, a venue for individuals to purchase insurance, including the new public plan. The exchange would offer transparency, as well as rules and standards for participating private insurers. (Exchange plans, for example, could not deny coverage or base premiums on health status, and would have to be at least as generous as the public plan.) Meanwhile, all insurers, even those not part of the exchange, would have to dedicate a "reasonable share" of premium revenue to patient care rather than administrative costs or profit, and disclose that share. The exchange, in conjunction with the new public plan and other federal insurance programs, would also exert pressure on the medical industry by "aligning incentives for excellence" -- that is, it will reward providers for "achieving performance thresholds on outcome measures," rather than paying them for the amount of services performed.

Small firms would get a refundable [Small Business Health Tax Credit](#) of up to 50 percent against premiums they pay on behalf of their employees. Larger companies that "do not offer or make a meaningful contribution to the cost of quality health coverage" would have to pay a percentage of their payroll toward the costs of the national plan. Obama would reimburse employer health plans for a portion of the catastrophic costs they incur above a threshold, if the savings lower the cost of workers' premiums.

Obama would mandate health care coverage for all children, and expand eligibility for the Medicaid and SCHIP programs. Those who cannot afford coverage for themselves or their children but do not qualify for these government programs would get subsidies to buy insurance through the exchange.

Finally, individual states could continue to experiment with reform on their own, provided they meet the federal plan's minimum standards.

Lowering Costs and Improving Care

Obama proposes a number of initiatives to improve medicine while lowering costs:

- Reducing Medicare costs by allowing the government to negotiate drug prices in bulk, increasing generics, and slashing excessive subsidies under the Medicare Advantage program
- Permitting the import of safe prescription drugs and faster introduction of new generics
- Promoting prevention and wellness with assistance to schools, rewards for employers, and additional funding for public health training; supporting disease management programs to treat chronic conditions
- Investing \$50 billion over five years to deploy health information technology systems (including electronic medical records) and requiring a gradual implementation, while protecting patient privacy
- Making medicine more transparent by publicizing information on treatment options and physician and provider records, particularly about medical outcomes, quality of care (including preventable errors), costs and prices
- Establishing an independent institute to direct investigation into comparative effectiveness, and promoting “new models for addressing errors that improve patient safety, strengthen the doctor-patient relationship and reduce the need for malpractice suits”
- Strengthening antitrust laws to prevent insurers from overcharging physicians for their malpractice insurance.

Other Health Initiatives

- Increase funding for biomedical research, and improve coordination both within government and with outside partners
- Fight AIDS worldwide
- Strengthen and improve enforcement of the Americans with Disabilities Act, and make Medicaid and Medicare more accessible to the disabled
- Support parity for mental health coverage
- Reduce mercury contamination in waterways, and require lead-safe child care facilities within five years
- Fund at least \$1 billion in autism research and increase funding for the Individuals with Disabilities Education Act

The Obama Record

Obama has voted consistently to strengthen and increase access to government public health initiatives -- he voted with the APHA 100 percent in 2006 and 2007. "He's been very good on prevention and public health, on the state level as well as nationally," says the APHA's Benjamin. But, he adds, Obama isn't perfect: on the organization's 2005 scorecard, "he got an 80."

What the Experts Say About the Obama Plan

While the Tax Policy Center calls the President-elect's plans for insurance reform "highly progressive," it also concludes that it will be very expensive, and won't come near to providing universal coverage -- though it will come close.

In what it calls "a very preliminary analysis," the Tax Policy Center finds that Obama's plan would cost \$1.6 trillion over 10 years, but would insure an additional 34 million people in 2018. However, another 34 million people will still lack coverage. (The Center projects that without reform the ranks of the uninsured will rise to 67 million by 2018.)

The Tax Policy Center projects that this "modest" increase will mask a large shift in the way people buy insurance. "Many small- and medium-sized employers would choose to drop coverage if their employees could obtain substantial tax credits for nongroup coverage," according to the center. "Also, the decline over time in value of the credit relative to premiums would reduce employers' incentives to offer insurance."

The Tax Policy Center calculated that if the growth in premium cost were to slow by 1 percent a year, the cost of the plans would fall to \$1.4 trillion for Obama. But the center did not attempt to estimate the effect of Obama's health initiatives on the cost of care, and Jonathan Oberlander, a health-care policy professor at the University of North Carolina at Chapel Hill, doubts that the initiatives offered by the candidates will do much either to lower costs or improve care, at the least in the beginning. "These things are all worth doing," he says. "But I don't think they'll save much money in a president's first term, and only modest amounts in a second term -- if they save anything at all." On the question of efficacy, "all of these things are really unproven. Electronic medical records might improve health, but it depends on how it's implemented. Disease management has a mixed record. It's no magic bullet. It's aspirational."