

Affordable, Accessible, And Flexible Health Coverage

In The State Of The Union Address, President Bush Will Announce His Proposals To Make Basic, Private Health Insurance Available And Affordable For More Americans. Americans are fortunate to have the most advanced and innovative health care system in the world. The President's plan will make private health insurance more affordable and increase the number of Americans with health insurance. The plan will also help our Nation move away from reliance on government-run health care and toward a system in which Americans have better access to basic, affordable private insurance, and increased ownership of their medical decisions.

The President's Plan Includes Two Parts: Reforming The Tax Code With A Standard Deduction For Health Insurance So All Americans Get The Same Tax Breaks For Health Insurance And Helping States Make Affordable Private Health Insurance Available To Their Citizens.

- 1. The President's Plan Will Help More Americans Afford Health Insurance By Reforming The Tax Code With A Standard Deduction For Health Insurance – Like The Standard Deduction For Dependents.** The President's primary goal is to make health insurance more affordable, allowing more Americans to purchase coverage. The President's proposal levels the playing field for Americans who purchase health insurance on their own rather than through their employers, providing a substantial tax benefit for all those who now have health insurance purchased on the individual market. It also lowers taxes for all currently uninsured Americans who decide to purchase health insurance – making insurance more affordable and providing a significant incentive to all working Americans to purchase coverage, thereby reducing the number of uninsured Americans.
 - Under The President's Proposal, Families With Health Insurance Will Not Pay Income Or Payroll Taxes On The First \$15,000 In Compensation And Singles Will Not Pay Income Or Payroll Taxes On The First \$7,500.**
 - At the same time, health insurance would be considered taxable income. This is a change for those who now have health insurance through their jobs.
 - The President's proposal will result in lower taxes for about 80 percent of employer-provided policies.
 - Those with more generous policies (20 percent) will have the option to adjust their compensation to have lower premiums and higher wages to offset the tax change.
- 2. The President's Affordable Choices Initiative Will Help States Make Basic Private Health Insurance Available And Will Provide Additional Help To Americans Who Cannot Afford Insurance Or Who Have Persistently High Medical Expenses.** For States that provide their citizens with access to basic, affordable private health insurance, the President's Affordable Choices Initiative will direct Federal funding to assist States in helping their poor and hard-to-insure citizens afford private insurance. By allocating current Federal health care funding more effectively, the President's plan accomplishes this goal without creating a new Federal entitlement or new Federal spending.

These Two Policies Will Work Together To Help More Americans Afford Basic Private Coverage. The President's proposed standard deduction for health insurance will help make basic private health insurance more affordable for families and individuals – whether they have insurance through their jobs or purchase insurance on their own. For those who remain unable to afford coverage, the President's Affordable Choices Initiative will help eligible States assist their poor and hard-to-insure citizens in purchasing private health insurance.

Unfair Subsidies In The Current Tax Code Are Making It Harder For Many Americans To Afford Health Insurance

The Tax Code Now Penalizes People Who Do Not Get Health Insurance Through Their Employers. Those who buy insurance on their own pay higher taxes for insurance than those who can get it through their job. The self-employed pay no income taxes on their premiums, but because they still owe payroll taxes, they are also disadvantaged compared to those who get health insurance from their employer. No one should have to pay higher taxes just because they do not work for an employer that provides health insurance. Under the current system, those without employer-provided health insurance – including the unemployed, retirees without retiree coverage, and workers at companies that do not offer health insurance

(most of which are small businesses) – may have to pay substantially more for health insurance than those with employer-provided plans, a cost which many cannot afford.

The Tax Code Now Penalizes People Who Choose Basic, Affordable Insurance Policies Over More Expensive Plans.

The more expensive the health insurance plan you receive through your employer, the more tax relief you get. This encourages many workers to choose lower wages and more expensive health insurance than they would choose if the tax code were not distorting their decision. One result is that insurance premiums rise, and many Americans cannot afford the coverage they need. Each family and worker should choose the balance of wages and health insurance that is right for them, without the tax code distorting their decisions.

Reforming The Tax Code With A Standard Deduction For Health Insurance To Make Private Health Insurance More Affordable

The President's Plan Will Reform The Tax Code To Help More Americans Afford Basic Private Health Insurance. The President proposes a standard tax deduction for health insurance (from income and payroll taxes) for every family and individual who has a private health insurance policy, regardless of the policy's cost or whether the policy was purchased individually or through an employer.

- **The President's Proposal Would Replace The Current Tax System, Which Favors The Most Expensive Employer-Provided Plans.** All families covered by a private family health insurance policy, whether purchased on their own or through their employer, will pay no income or payroll taxes on their first \$15,000 of compensation. All individuals covered by any single private health insurance policy will pay no income or payroll taxes on their first \$7,500 of compensation.
 - At the same time, health insurance would be considered taxable income. This is a change for those who now have health insurance through their jobs.
 - Under current law, companies deduct health insurance costs and wages as legitimate business expenses. The President's proposal would not change this.
- **Most Americans Who Purchase Health Insurance Through Their Employers Will See Their Tax Bills Go Down.** The President's proposal will result in lower taxes for about 80 percent of employer-provided policies. More than 100 million Americans who now get health insurance through their job will see their tax bills go down, and their health insurance will therefore be more affordable. Those with more generous policies (20 percent) will have the option to adjust their compensation to have lower premiums and higher wages to offset the tax change.
- **The President's Proposal Will Lower Taxes For Millions Of Americans Who Now Purchase Health Insurance On Their Own, Making Their Insurance More Affordable.** The President's proposal would level the playing field by giving all Americans the same standard deduction, whether they get health insurance through their job, or buy it on their own. The average tax bill will go down by more than \$3,650 when the policy would be implemented in 2009 for those families who now purchase health insurance on their own. This will make health insurance dramatically more affordable for the millions of Americans who do not get health insurance through their job and instead buy it on their own.
- **The President's Proposal Will Lower Taxes For All Uninsured Americans Who Purchase Health Insurance, Helping Millions Of Uninsured Americans Afford Coverage.** This proposal will lower the average tax bill of a family without health insurance by \$3,350 in 2009 – effectively reducing the average cost of health insurance by more than half for uninsured families trying to buy insurance on their own.

The President's Plan Will Help Rein In Runaway Health Care Spending. Our current system distorts people's decisions about how best to spend their income. This leads to higher health spending and lower-value care. The President's plan would lower the growth in national health care spending right away, and decrease spending even more in the long run with increased competition and the development of new cost-effective technologies.

The Proposal Is Budget Neutral Over Ten Years. The amount of the standard deduction will increase by the Consumer Price Index each year.

The Affordable Choices Initiative – Coverage For Vulnerable Americans

The President's Plan Will Support The Innovative Measures States Are Taking To Help Those Who Cannot Afford Insurance Or Who Have Persistently High Medical Expenses. Governors across the Nation have put forward plans to make basic private health insurance more accessible for their citizens. The President has directed Health and Human Services (HHS) Secretary Mike Leavitt to work with Governors and the Congress to make basic private health insurance available, and to help States pay private health insurance premiums for the poor and the hard to insure.

The President's Affordable Choices Initiative Provides States Incentives To Make Basic, Affordable Private Health Insurance Policies Available To Their Citizens. States that provide their citizens access to basic, private insurance at an affordable price would be eligible for funds under the Affordable Choices Initiative. The Secretary of HHS would be able to redirect Federal payments away from institutions and to needy individuals in eligible States. These grants would allow States to help low-income individuals purchase private health insurance.

The President's Proposal Would Shift Federal Funding To Help The Uninsured Buy Private Insurance And Take More Ownership Of Their Health Care. The Federal government now pays many of the health care bills of the uninsured through a complex mix of subsidies and payments to health care providers, with the result that billions of taxpayer dollars are spent inefficiently. The health care system needs to be transformed in a way that avoids costly and unnecessary medical visits and emphasizes upfront, affordable private health insurance options. Americans should "own" their own health plan, and money should follow the person rather than the institution.

The Affordable Choices Initiative Will Encourage States To Innovate. State participation would be voluntary, and States would design their own programs, subject to approval by the Secretary of HHS.

- States could offer direct premium assistance to low-income or hard-to-insure populations to purchase private health insurance.
- States could establish high risk pools, or expand existing high risk pools, for very sick individuals who are deemed uninsurable in the non-group market.
- States could help facilitate pooling of individuals and small businesses and organize their access to private health plans.

America Is A Compassionate Nation, And We Will Continue To Take Care Of The Most Vulnerable. For the elderly, disabled, low-income pregnant mothers, and children needing protection, the Federal government provides coverage through Medicare, Medicaid, and SCHIP – the State Children's Health Insurance Program. Under this Administration, 2 million more children have gained coverage through SCHIP.

Indirect Benefits Of Both The Standard Deduction For Health Insurance And The Affordable Choices Initiative

In Addition To The Direct Benefits Of These Policies, There Are Indirect Benefits Of Both The Standard Deduction For Health Insurance And The Affordable Choices Initiative That Will Lead To Cheaper Health Insurance Being Available To All Working Americans.

- The standard deduction for health insurance will encourage more people to buy insurance in the individual market. As more people join the individual market, the market will become more competitive and prices will come down.
- To take advantage of funds under the Affordable Choices Initiative, States must take steps to make health insurance more affordable within their States, such as reducing benefit or premium mandates.
- In addition, other policies proposed by the President like Association Health Plans and the ability to buy insurance across State lines would make the individual insurance market even more competitive and drive prices down further.

The President's Policies Are Helping Make Health Care More Affordable And Accessible

The President Is Working To Help Increase The Transparency Of America's Health Care System And Empower Americans To Find Better Value And Better Care. He has directed Federal agencies to share information with beneficiaries about prices paid to health care providers for procedures and about the quality of services provided by doctors,

hospitals, and other health care providers. Increased transparency about prices and quality will help bring more competition to health care, restraining its rising costs.

The President Is Working To Improve The Adoption Of Health Information Technology. Electronic health records reduce costs and improve the efficiency and effectiveness of medical treatment. In 2004, the President launched an initiative to make electronic health records available to most Americans within the next 10 years. Last year, he directed Federal agencies to use improved health IT systems to facilitate the rapid exchange of health information.

The President Has Proposed Expanding Health Savings Accounts (HSAs). HSAs allow people to save money for health care tax-free, and to take these accounts with them if they move from job to job. In December, the President signed legislation to bring HSAs within the reach of more Americans.

The President Has Proposed Strengthening The Buying Power Of America's Small Businesses By Forming Association Health Plans (AHPs). Small businesses, as well as civic and community groups, should be allowed to band together in AHPs to get the same discounts big companies receive.

The President Supports Permitting The Purchase Of Health Insurance Across State Lines. Americans should be allowed to buy the best health insurance for themselves, based on their own circumstances, instead of being limited to only the policies available in their State.

The President Has Proposed Medical Liability Reforms To Limit Costly And Frivolous Lawsuits. These lawsuits are wasting scarce resources, increasing health care costs, and driving doctors out of business.

The President Is Promoting Prevention, Wellness, And Fitness. Living a healthier life dramatically reduces illness and disease. The President encourages all Americans to lead a healthy lifestyle to prevent disease and improve their overall quality of life.