

## Health Insurance

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### National Health Care? We're Halfway There

- *NYTimes*

December 04, 2006

When Democrats assume control of Congress next month, they may be dusting off some long-dormant proposals on how to deal with the growing disconnect between health insurance and employment. From 2000 to 2005, the proportion of workers aged 18 to 64 with employment-based health benefits fell to 70.6 percent from 74.5 percent, according to the Employee Benefits Research Institute. A record 46.6 million Americans lacked health insurance last year; of them, more than 82 percent lived in households headed by someone holding a job.

Any efforts to expand government's role in providing insurance will likely be opposed by the Bush administration, which says it opposes excessive direct government involvement in an industry that constitutes about 14 percent of the gross domestic product. Michael O. Leavitt, the secretary of health and human services, recently dismissed a proposal to have the government negotiate drug prices for the Medicare benefit, arguing that "it's a surrogate for a much larger issue, which is really government-run health care."

While the administration may oppose government-run health care in principle, the government's role in the vast health industry has been expanding. By various measures, the United States is about halfway toward a system in which the government and taxpayers fully fund health care. And trends are pushing the government to become more involved each year.

Out of a total population of about 300 million, 35.6 million elderly Americans were on Medicare in 2005. Of the working-age population, which reached 257.8 million in 2005, some 45.5 million were covered by Medicare, Medicaid or military health programs, according to the benefits institute. An additional 18.2 million workers had health insurance through jobs in the public sector, which includes state, federal and local governments, public schools and state universities, according to Paul Fronstin, director of the institute's health research and education program. Millions of those workers' dependents are covered as well. Even if those dependents are not included in the tally, taxpayers paid the bill for almost two-fifths of all Americans with insurance in 2005.

But that's not the full extent of government and taxpayer involvement. Employer-provided health insurance premiums are a form of compensation, yet are not subject to federal payroll or income taxes and are exempt from many state and local taxes. Economists consider these exemptions a form of subsidy. Thomas M. Selden, economist at the federal Agency for Healthcare Research and Quality, estimates that the tax subsidy for employment-related coverage at \$208.6 billion in 2006, or 35.4 percent of the amount spent on premiums.

“The tax subsidy is one of the largest public expenditures on health care,” Mr. Selden said. In fiscal 2006, by comparison, spending on Medicare was \$378.7 billion and federal spending on Medicaid was \$180.6 billion.

Viewed strictly in terms of dollars and cents, the government already accounts for more than half of the nation's health care spending. Mining data from the National Health Expenditures Accounts, Mr. Selden found that public expenditures on health care — Medicare, Medicaid, military health care and federal employee benefits — accounted for \$888 billion of the \$1.96 trillion spent on health care in 2004. Adding in the aforementioned subsidies, and premiums paid for public-sector employees, the total comes to \$1.2 trillion, or 61 percent.

Uwe E. Reinhardt, the James Madison professor of political economy at Princeton, suggests adding 5 percent for the federal mandate that hospitals provide free health care to the uninsured. “So government accounts for about two-thirds of health care spending,” Mr. Reinhardt said.

The government spends money as if there were a national health insurance program. In 2004, government spending on health care equaled 9.6 percent of the gross domestic product, compared with 6.9 percent in Canada, which has a single-payer universal health care program, said David Himmelstein, associate professor of medicine at Harvard Medical School. And yet some significant components of federal support are not efficient methods of providing health insurance to the people who most need it. Higher-income workers are likely to have higher rates of coverage, higher premiums and higher taxes, all of which means that the tax break for compensation disproportionately helps the well-off.

“We're paying for national health insurance, but we're not getting it,” Dr. Himmelstein added.

Taxpayers also don't get as much bang for their bucks because the government guarantees coverage for the elderly and the poor, groups that account for a disproportionately large amount of expenditures.

“A rough rule holds that private insurance covers two-thirds of the population and pays for only one-third of all health care,” Mr. Reinhardt said.

THE raw figures may be worrisome, but the trends behind the data are clearly troubling. Despite five consecutive years of economic growth, the private sector has continued to reduce its role in providing insurance. As the population ages, the ranks of Medicare recipients grow. And if the price of health insurance keeps rising at a much faster rate than the average earnings of lower-income people, more and more of the working poor will be priced out of the market.

So even as politicians rail against the pernicious effects of government-run health care, taxpayers, one way or another, are likely to be footing more of the nation's huge and mounting medical bills.