

*Effective Coverage Expansions for Uninsured Kids and Their Working Parents:
Links to Job-Based Coverage*

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The White House Perspective

Speaker:

- Mark McClellan, M.D., Ph.D., Consultant, Council of Economic Advisors

(Additional information about the speaker appears at the end of this section.)

Transcript:

MR. CURTIS: I'm going to make a very short introduction here. If you look in the agenda book under "White House Perspective," you will find the full bio on Mark McClellan. *[It appears at the end of this section. – Ed.]* He's a very impressive fellow. He was, among many other things, an Associate Professor of Economics as well as a practicing internist at Stanford Medical School. He was, towards the end of the previous administration, in a senior position (more in his economist mode than his doctor mode) at the Department of Treasury. He will shortly be formally nominated for the Council of Economic Advisors and serves as a domestic policy advisor to the White House on health coverage and like issues. And as you will hear, he's very straightforward and an immensely intelligent guy, and he's older than he looks. As you can see in the bio, we have it that from 199 to 200 AD, before joining CEA ... Somebody came up who knows his mother. I can't imagine how old she is.

[Laughter.]

MR. CURTIS: Mark.

DR. McCLELLAN: Rick, thanks for the introduction. It really is a pleasure to be with you all here today. As you know, this administration feels a particular affinity to some of the state groups and state initiatives, state-based initiatives, to address the problem of uninsurance.

Secretary Thompson is actually spending this week in Geneva at the World Health Organization conference, where he has been proposing, presenting and pushing for a recent Administration proposal developed jointly between the Department of Health and Human Services and the State Department, White House, National Security Council, National Economic Council on addressing the problem of infectious diseases in underdeveloped countries. So he did want me to convey, though, his best wishes to all of you and reaffirm his commitment to making the Health Care Financing Administration, and the Department of Health and Human Services more generally, a friendly space for innovative ideas for addressing problems of uninsurance in this country.

I want to spend a few minutes talking about some of the elements of our uninsurance proposals. This is going to be a little bit broader than the main topic of this conference, which has to do with working parents who have uninsured kids. A bit broader but not that off the mark, because I wanted to put this in a bit of perspective about our general approach to the problem of uninsurance and this Administration.

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I'm also going to try to keep the remarks brief enough that we can spend a good part of this time on questions and answers. I find that's usually more informative for my audience than anything that I can think of to say at the beginning.

Well, uninsurance, as you know, despite our best efforts, the best efforts of the states in particular, has been a generally growing problem in this country. While the trends of the last two years have been a bit better, with the economy moving a little bit more sideways now, it seems like the problem of uninsurance might creep up again.

In the Administration, we're trying to take some steps now to really substantially reverse those trends, and I think we would view it as a mark of success if we can significantly lower the number of uninsured, and frankly, we need a broader array of tools to use in order to do that. One approach which has been given considerable attention in the last decade involves Medicaid and SCHIP expansions, and we are all for doing more with those programs, as I'll talk about shortly.

But this is a country where a pluralistic approach to insurance is kind of imbedded in our entire health care system, and I think we need to make sure that everyone in this country has options for getting affordable coverage through both public and private means.. And I want to talk about one particular major proposal that we have already introduced to Congress as part of our budget initiative and that we are trying to push toward enactment right now. And that is a proposal for a refundable tax credit for people who are uninsured. The two other prongs of our uninsurance initiatives, our major uninsurance initiatives, I will touch on more briefly and then leave some time for questions.

The second prong involves doing more with Medicaid and SCHIP, reflecting a lot of the concerns that you all and your offices and your governors have expressed to our Secretary and our President. And the third approach involves some safety net improvement steps for community health centers for those who unfortunately continue to fall through the cracks.

Let me begin by discussing the tax credit proposal. This is a tax credit proposal for people who do not have access to good employer-provided coverage.

Now, as you know, most of the uninsured are employed, and a large part of the uninsured turned down coverage. But a substantial part, according to a recent estimate by the Center for [Studying] Health System Change—something like 40 percent—were not offered job-based coverage, and another 20 percent were self-employed, and I think some additional folks were unemployed. So to solve the problem of the uninsured, we need to do something for people who do not have good employer-provided health insurance options.

And this is a group that actually has the highest rate of uninsurance, if you look at the distribution of coverage rates across people who are and aren't offered employer coverage. So again, mostly people who are working but not offered good employer-provided options. This is a group that right now gets very little assistance from our tax system, in contrast to those who are offered employer coverage and to those who are self-employed.

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The reason is that, as you know, those people who are offered employer-provided coverage enjoy a tax exclusion for the value of the employer contribution to that coverage. In addition, the self-employed are approaching full deductibility of their payments for health insurance. But there really isn't anything to help people who buy health insurance on their own unless they spend a ridiculous amount, something like 7.5 percent of their adjusted gross income, on health care.

So what we have done is developed a refundable tax-credit proposal targeted to this group. In designing this proposal, we tried to look out at what the best and the brightest had had to say about tax credit approaches. As some of you may know, there was a limited attempt to do a refundable tax credit in the early 1990s in conjunction with the earned-income tax credit, which did not work out well. And since that time, there has been a lot of careful thought by some very smart economists, policy makers, tax experts and others on what went wrong and how it needs to be fixed. That kind of analysis led us to three important considerations that we knew we needed to address.

First, our tax approach had to be a credit, not a deduction. It needed to be something that was not—whose value was not related to tax liability. Second, and related to that, we knew we needed to have a refundable tax credit, that is, a credit for which individuals could get the full value regardless of what their tax liability was.

A third concern with prior proposals was the issue of advanceability. Could people get the credit at the time when they actually needed to purchase? As you know, many of the uninsured are people who do not have a lot of savings on hand. So waiting until the end of the year or after the end of the year for a tax refund on contributions that they had made during the year towards health insurance just wouldn't do the job.

So those were important considerations in designing our tax-credit proposal. A further consideration was, since we wanted to try as best we could to target this group which has a very high rate of uninsurance and, again, relatively limited options available for getting coverage, we wanted to concentrate dollars in this group. And to do that, we wanted to have minimal disruption of the employer market. So, how could we design this in a way that wouldn't crowd out good employer coverage and good employer contributions?

With all those considerations in mind, we developed a proposal that we sent to Congress as part of our budget in April. This is a refundable tax credit that is up to \$1,000 for an individual towards the purchase of a policy and \$2,000 for families. The individual credit begins to phase out at \$15,000 but does so very gradually, so that individuals can get some assistance all the way up to incomes of \$30,000. The family coverage begins to phase out at \$30,000 and, again, very gradually, so as not to provide too much discouragement to earning additional income. So value is available all the way up to \$60,000. It's phased out linearly along this range, so that, even for a family earning \$45,000, the credit would still be worth \$1,000 to them—a fully refundable credit.

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In designing the credit, we also wanted to make sure that people could use it at the time they were purchasing insurance. And this, I want to say, was not a trivial step. In the proposal that we sent with our budget—it will be hopefully soon introduced as formal legislation—we have worked out a mechanism with the Department of the Treasury and the Internal Revenue Service to actually administer the refundable tax credit.

This is something that in previous proposals had been viewed as a very difficult problem. The way that it works is—and also the way that we address our concerns about advanceability—is that individuals' eligibility for the credit is determined based on their prior year's income. So this is information that is available at the time that people are making their coverage decisions. So, again, it's not something you have to wait till the end of the year to find out, and by basing the decision on last year's income, you also avoid the problem of people worrying that they're going to end up earning a little bit more than they had expected and therefore end up owing money back to the government at the end of the year.

We didn't want to have any problems of reconciliation at the end of the year that would potentially discourage people from taking up this credit. So individuals based on their prior year income apply to the IRS for this credit. Their income can be certified quickly by the IRS because this is information they have on hand. The next step is that they get a certification from the IRS to use towards the purchase of an individual health insurance policy. This can be done either via paper or electronically via an identification number. And so when people make their premium payments for their coverage month to month, they would send in the check for whatever portion of the insurance wasn't covered by the tax credit, along with this certification or their identification number, to an insurance company, which in turn would be reimbursed by the IRS, either by offsetting their existing tax liability through payroll or corporate or other taxes or through a direct cash payment from the Internal Revenue Service.

The upshot of this is that, in several analyses now that have been done of our proposal, it's viewed as a credible approach to getting good coverage to many uninsured Americans. I think the internal Treasury estimates were that something like six million people who otherwise would have been uninsured for some or part of the year would take up this coverage. In addition, some people who have individual coverage already but perhaps were having difficulty affording it would benefit from the policy as well. So I think, a significant impact on the uninsured, but more importantly, a new option. So, a refundable tax-credit approach as a complementary approach to employer approaches and to the SCHIP and Medicaid approaches, which are also good and valuable options for many people, but clearly have not filled in all the gaps.

So we think that this proposal, if we can get Congress to act on it this year—and there are some disagreements about, well, exactly what should the amounts of the credits be and should there be any conditions tied to use of the credit and so forth. We think those are issues that we can overcome. We think this is legislation that we can accomplish this year, and we think it can make a significant dent, have a significant impact on the number of uninsured, and also lay a foundation for perhaps further approaches to strengthen the private insurance market in the United States.

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I want to spend a few minutes talking about some of our approaches on Medicaid and SCHIP, and as I mentioned to Rick over lunch today, I'm going to have to hold out a little bit of a teaser here, because this is an area where we do have some significant announcements coming in the not-too-distant future, and those are much better left to Secretary Thompson, who as you know cares very deeply about these programs, than to me.

But I do want to tell you the general direction of our policy, and this should be no surprise to those of you who are familiar with Secretary Thompson's views from the NGA and his many statements on this important issue.

We think there are a lot of ways that we can help the Medicaid and SCHIP programs work more effectively by giving states more flexibility in delivering benefits, and what that means is, I think, a much more friendly approach to some of the waivers that you all—I know in many cases, I was talking with some folks just before this presentation. I guess I can have the states remain nameless, but shall we say that some of the process has been difficult at times in the past.

We're going to try to help address this problem in a couple of ways. One is by having a more proactive approach with HCFA staff in working with you all. But the other is, I think we can take some real steps to streamline this process, to provide some clear guidance about what can and can't work effectively, to deliver benefits through these programs.

And again, these are areas where you will see major announcements by the Administration in the weeks ahead, and if you have any thoughts on specific suggestions for how we can improve the process at HCFA and for some reason you haven't communicated them already to the senior officials at HCFA and in the offices of the Secretary—Mary Kay Mantho as well as the Secretary himself—I hope you will do so right away or feel free to contact us at the White House, too.

This is an important area, and as you may also know, there are some major regulations that we have held up—a Medicaid managed care regulation which was passed at the very end of the last administration, and an SCHIP implementation regulation, also passed at the end of the last administration. And in light of the philosophy that I just described, I think you can expect to see some revisions in both of those regulations in light of this philosophy of trying to work constructively and effectively with the states to find creative ways to cover more people at the same or lower cost.

So look for announcements on that in the weeks ahead. I don't want to say that—you know, especially on the SCHIP regulation there are a lot of good elements of that regulation that we want to build upon—but we think we can do better, particularly in some of the areas that I know you all have been discussing here related to employer coverage and how the SCHIP program and the Medicaid programs can work effectively with employers to get more people covered through private insurance without crowding out good coverage and important contributions being made by the employers.

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We wholeheartedly share the goals of the Institute for Health Policy Solutions in this regard. I think they've done some very interesting work on suggestions for how these kinds of policy goals can be achieved and something we're definitely taking notice of as we're working on our policies in these areas. And I would be happy to answer some more questions about this as best I can at this point after I am finished with these remarks.

The third major area of our program on uninsurance involves shoring up the community health centers program. If you look across the HHS budget right now, there are a range of programs, not all that well coordinated, for providing direct support for care for people who cannot afford to pay for it themselves.

The president in his budget proposed a significant expansion of these programs, something like \$15 billion over the coming years, with the goal of increasing—through expansions or adding new community health centers—increasing the number of persons served through these centers by 100 percent. So there are a lot of people out there who are uninsured and are not getting access to good basic care now, and we think we need a strengthened safety net program to help them. And this is in conjunction with our budget proposals for the tax credit, which I think was budgeted out at close to \$80 billion over the coming budget window.

So just to conclude, this is a major area of policy interest for the president and probably—you know, I hate to name a top priority, because Secretary Thompson—if there is anybody here from Wisconsin, you guys probably know that he's someone who manages to juggle ten major initiatives or more at the same time. So I don't want to say this is his top priority, but I think there are a few things that he cares more about, and one of the lasting impressions that he wants his Administration and the Department of Health and Human Services to make in Washington is to recognize that there is a more effective and productive way of working with the states to find cost-effective coverage solutions, be they public-based, private-based or some mixture in between. There is a more effective way to do business and we are going to accomplish that in the coming years. Thank you very much.

[Applause.]

MR. CURTIS: Mark, I'll ask a first question while others of you contemplate exactly what it is you're going to ask. As you know, one of the goals of states interested in coordinating with employer coverage is single-source coverage for families. (Putting aside the employer link for a moment,) you know the target population for the Administration's tax credits includes a lot of families that also have children. Unless states have some latitude to somehow coordinate SCHIP dollars for kids with tax-credit dollars for the parents (not necessarily to buy into a public program—I understand a lot of people would have philosophical problems with that), it could financially force families to split up in terms of source of coverage. Are you open to state latitude to somehow play a role here?

DR. McCLELLAN: That's a very a good question, and it's a topic that we are actively investigating in conjunction with this review of how we can best improve the function of the Medicaid and SCHIP programs. As you know, just with the basic tax credit, it would be possible

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for a couple to get coverage separately from their children if the kids are eligible for SCHIP in a state, and that is one approach to making affordable coverage available to the family. It doesn't overcome this problem of bifurcation of coverage, which we would very much like to address as well, and as always, the trick here is making sure we're not crowding out contributions from other sources. I think the SCHIP contributions to family coverage are important ones. The tax credit is as well, but there are only so many dollars around, and we want to find a way to do that effectively. And that's why it just takes some careful thought, as you all know from the conference today, to do that. But we are very interested in exploring options like that.

MS. FERGUSON: Hypothetically, let's say you have a state where there is a premium assistance program, so that an individual who qualifies from an income perspective for a subsidy for the employee's share of the coverage can receive a subsidy from the state to buy health insurance through their employer. Your tax credit goes into effect. Why wouldn't we be able to combine for that employee? Why wouldn't we be able to combine the tax credit plus a subsidy if the tax credit isn't enough to purchase into employer-based coverage—plus a subsidy, keep the whole family in family-based coverage and maintain the employer match? Is there anything that would prevent that from happening?

DR. McCLELLAN: Well, the tax credit proposal as we currently designed it is for the individual market, and again the main reason for that is how can we get the most bang for the buck for the tax credit approach? I'm not saying that we're opposed to integrating this with employer coverage, but there are a couple of important considerations that we've thought about along the way, as we're trying to think about how we can make real progress towards addressing the problem of uninsurance.

The first is, we need to demonstrate that this tax-credit approach really works. So as I said, there was an attempt in the early '90s. It was not widely regarded as being very successful, and so we've gone back to the drawing board in a sense and come up with a proposal that we think will actually work and is being scored as having a substantial impact on the uninsured. But we're not sure that this is going to be a truly effective way of increasing coverage for the dollar spent. So that's why we want to start with this group that has the least access to tax support now and where we can have, again, the most bang for the buck in terms of new coverage for the dollars spent on the tax credit.

At the same time, we also think we can make some real progress in helping Medicaid and SCHIP dollars go further by trying to draw on some of the best ideas out there and making it possible for those ideas to be implemented more effectively through a streamlined HCFA review process.

So these are steps in the direction of improving coverage. Now it may be the case that these approaches don't go far enough to make employer coverage more affordable through more flexible Medicaid and SCHIP implementation or to make alternatives to coverage available in an affordable way as well.

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So this is an idea that we might consider a little bit down the road, but we're just not quite there yet. One of the main concerns about proposals for giving tax credits directly to employer coverage is cost. As you all know, in designing the SCHIP premium subsidies toward employer coverage, an important consideration is how you avoid crowding out the employer contribution in doing that. And we've been working closely with a lot of people who think hard about tax credits, and it is very hard to do. There is a proposal now before Congress, for example, that would have a tax credit that could go towards employer coverage. It costs much more than ours, and the majority of the dollars spent under that credit, in fact, go to employer coverage that already exists, you know, not getting people off the uninsurance rolls, but rather replacing some or maybe all of the employer contributions.

So those are the kinds of constraints that we're worried about in implementing this program. We don't want to disrupt the employer market too much. We want to make sure the dollars are going a long way, they're being spent cost effectively on improving coverage, but it is something I think we would be considering and open to down the road, as we get more experience with these approaches.

MS. FERGUSON: Can the credit be used to buy into a public program?

DR. McCLELLAN: No. This is for individual coverage. Again, this is a group that has no help now and—

MS. FERGUSON: So if the state opened it to individual coverage, opened their plans to individual coverage, there is nothing that would prevent the tax credit—

DR. McCLELLAN: That's an interesting idea. [Laughter from audience.] That's an interesting idea.

AUDIENCE PARTICIPANT: Mark, those of us that come from states that have high-risk pools know that, even when you have money, sometimes you can't get into that individual insurance market due to preexisting health conditions. Is there any sort of individual market reform being proposed, hand in hand with the tax credit, so that those dollars can actually be used to get into markets?

DR. McCLELLAN: The president during the campaign talked a lot about the need to help private insurance markets work more effectively for individuals, and he also concentrated on small businesses as well, and we are developing some proposals along those lines. We're trying to work with members of Congress to do things that will actually have effects. States like yours with high risk pools represent one potentially effective way of helping individual markets work better. The tax credit that I just discussed would be available for use toward purchasing care in a high-risk pool. You're right, though, that there are some states where, because of the way the individual markets are regulated, you know, it's basically sort of the worst case for individual market coverage affordability, a combination of guaranteed issue and community rating. In some of those states, there just aren't affordable policies available, period. So we do need to take more steps to help individual markets work more effectively, but we want to do this

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in a way that doesn't interfere with states' own goals, their own ideas about the best ways to help the individual markets work.

MR. CURTIS: Mark, as you know, individual insurance markets that are voluntary and unsubsidized are not exactly the most efficient and functional domestic markets. And with an adequate tax credit—and people are arguing over how much is adequate—the systemic risk selection problem of an individual market should not be a problem across the tax-credit recipient population. Therefore, one approach a state could take is to say, okay, we're going to have a separate set of rules in the individual market for tax-credit recipients, because we can design a market that is not dysfunctional for them. Is that something that the Administration would think would be fine and want to make sure that Congress did not preclude?

DR. McCLELLAN: That's the kind of thing that we are thinking about. I mean, that would take state action, and that's what I was trying to get at by saying we don't want to interfere or preclude options that states think would be effective in helping individual insurance markets work. So that's not something that I would envision us precluding at the federal level, but it is something that would require state action.

MR. CURTIS: Right. But what the state would need to do to make that sort of thing work would be to say, to apply their tax credit, people need to come to this market with different rules or coverage mechanisms, so that there is a good risk distribution because the healthy lives with the tax credits aren't cherry-picked by the existing individual market. And I would imagine states might need some express statutory authority or reference or something to be able to do that.

DR. McCLELLAN: It's a good question, though we don't want to go too far in precluding options. I mean, it is true that there are some important problems in individual markets for people with preexisting conditions. But the flip side of that is that there are a lot of people who are uninsured who don't have preexisting conditions who, the more steps you take in that direction, the more difficult you can make it for them to get coverage as well.

So, you know, it is a bit of a balancing act, and that's something that we debated when we were discussing what would be the best level of support for our tax credit, and we settled on an amount that we think would make a good policy available in most states for most people. It would cover more than half the cost for younger individuals, cover more than half the cost for younger couples and even families of somewhat moderate or older ages. Be less than a 50 percent subsidy for most individuals in their 50s, though that's a group where the sensitivity to the value of health insurance is probably a bit higher than guys in their 20s.

So there is a tradeoff here, and we set the credit at an amount that could make good coverage—you know, again, not comprehensive, gold-plated employer coverage, but a good plan, say a PPO plan with \$1,000 deductible and some coverage for preventive care visits, but pretty comprehensive coverage beyond that, so a good plan, a good private plan—affordable. So a 50-percent subsidy in most states for most people.

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But the concern we have about going too far in the direction of over-restricting access to the credit is that those are the kind of people who have the highest uninsurance rates now, and we don't want them left out or have only more costly options available as a result of restrictions on the individual markets.

AUDIENCE PARTICIPANT: Could you talk a little bit more about what you're doing to prevent crowd-out? Maybe it was the after-lunch somnolence, but I heard you say that you designed it to leave out crowd-out.

DR. McCLELLAN: To try to minimize crowd-out.

AUDIENCE PARTICIPANT: The only thing I see that does that is that the subsidy might be less than they would get from an employer.

DR. McCLELLAN: That's right. I think there are two reasons that employer coverage—and we've done some analysis of this, and we've investigated, you know, several alternative ways of doing this according to Treasury modeling and the like, and you're right that the main deterrent to crowd-out here is that employer coverage is generally more attractive than this individual market credit would be for people who can get good employer coverage.

First of all, it tends to be less expensive because the loading factors are less and so forth, and second, there already is a subsidy for that coverage through the tax system, and even for low-income workers, as long as they're working for a medium- or large-size company where the overall coverage subsidy decisions depend a lot on wealthier folks so there are big employer contributions, those plans will generally continue to look more attractive than the individual market plans, even with these subsidies.

And so that's why we think that the crowd-out would be pretty minimal, and when I say minimal, I mean on the order of maybe a few million people or less. And that is an important concern in designing these tax credits, obviously, and the more generous you make them, the more potential for crowd-out there is, and we don't want, you know, at this stage—until we really can get a clearly better individual market functioning, which we think these credits actually would go a long way towards doing—at this stage we don't want to do anything that overly disrupts the employer markets. It's just a tradeoff in design.

AUDIENCE PARTICIPANT: When you were describing the benefit package that a tax credit could be used for, you described what you considered a relatively good package in the commercial market which had some significant copays, deductibles, and a limited benefit package. For some of us who are in states where the SCHIP program has been designed to mirror the commercial package, and yet we have federal regs that are very restrictive in their definition of benefits ...

DR. McCLELLAN: Yeah, how about that.

AUDIENCE PARTICIPANT: Any way you can—any impact on these inconsistencies?

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DR. McCLELLAN: Yes, there will be some impact on those inconsistencies. I promise you that.

MR. KU: Yes, I have a question about—you were saying your target, or something that people could afford was a policy with \$1,000 deductible, and I guess I'm a little concerned, since you're aiming this at a low- and moderate-income family, that that's still a pretty high deductible. I mean, my recollection of the distribution of health expenditures is that two-thirds of the non-elderly population spends less than \$1,000 per year for health care. So you're saying that, first of all, a \$1,000 deductible isn't going to help two-thirds of the people who have a policy with that much. And secondly, that it still poses a fairly significant health-care expense for the people who are in the low-income target population.

DR. McCLELLAN: Well, it's not first-dollar coverage, that's true. I guess I should clarify that when I was describing a policy—a \$1,000 deductible, but some coverage for preventive care, too. A lot of the people in that two-thirds group that you're just describing, especially in the younger age groups, really don't have any serious health problems and might need, you know, a visit to the doctor or something like that, or a couple of ill visits for their kids or something.

And the policy that I described, and there are a number of these out there, would make available some limited number of visits sort of up-front, and with something like, you know, \$20 or \$30 copay only, but then there is a deductible beyond that, and so, yes, I mean that does mean that individuals would be paying some for their health care.

They would get catastrophic protection in the event of a hospitalization or other serious illness, which I think is worth a lot, but you know if you're talking about bringing down the cost of a policy to something that people with these limited means can afford, to give the protection that they really need, which should be against those most serious illnesses, this does it. So for a 25-year-old male living in the District, with this subsidy, they could get a policy that does that for ten bucks a month. And that's not a huge amount of money. It's not perfect coverage, but it will protect them against serious illnesses, will give them an encouragement to get some basic health care and, you know, it's not everything, but for the dollars spent, I think it goes a long way towards the kind of health protection they need.

MR. KU: Except that, potentially, [if] you were buying through the Medicaid or SCHIP market or through the employer market where there are lower prices, your dollar could get further in getting better health care.

DR. McCLELLAN: Potentially, though, part of the issue there is one that the previous question addressed, is that, look, you know, in principle, those markets, the SCHIP program is supposed to allow some flexibility in benefit design to kind of mirror the commercial products like the one I just described, and in practice the regulations ought to implement that legislative intent. So, you know, you're right. There should not be a huge incentive or disincentive to choose one market over the over for people who would prefer private coverage or might prefer

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public coverage, and we should take some steps to rectify that imbalance and also, frankly, to help states cover more people for less money.

AUDIENCE PARTICIPANT: I am here from Wisconsin, and did I hear you correctly that these tax credits could be used to buy into a state run high-risk pool?

DR. McCLELLAN: Yes.

AUDIENCE PARTICIPANT: Actually, on the same line, I'm sitting here—some interesting wheels—those of us who have high-risk pools whose high-risk pools are funded by insurer assessments, this could create some very interesting dynamics for us, for our insurers, who then, of course, pass those costs on to employers. So the wheels will turn.

DR. McCLELLAN: Well, you should be careful. If those wheels turn and lead to any productive thinking, you know, please be sure and get it back to us. This is something that, again, where you have to be careful about the amounts. You want this to be a substantial credit, but not, you know, too much to really distort incentives for employers or the states or the people running the high-risk pools. So if those wheels turn in a useful way, please let us know.

MR. CURTIS: Mark, thank you very much. I know you're a very busy fellow, and we appreciate it.

DR. McCLELLAN: Thank you all for your time. Looking forward to working with you.

About the Speaker

Mark McClellan, M.D., Ph.D., is a consultant at the Council of Economic Advisers. The Intention to Nominate him as a Member of the CEA was announced by President George W. Bush on March 29, 2001. Before joining the CEA, from 1999-00, he was Associate Professor of Economics at Stanford Medical School, a practicing internist, and Director of the Program on Health Outcomes Research at Stanford University, a visiting Scholar at the American Enterprise Institute. He is also a Member of the National Cancer Policy Board of the National Academy of Sciences, Associate Editor of the *Journal of Health Economics*, and co-Principal Investigator of the Health and Retirement Study (HRS), a longitudinal study of the health and economic well-being of older Americans. From 1998-99, he was Deputy Assistant Secretary of the Treasury for Economic Policy, where he supervised economic policy issues. Recently, he has been serving as a policy adviser for the White House on health care and other economic issues. His research studies have addressed measuring and improving the quality of health care, the economic and policy factors influencing medical treatment decisions, technological change in health care and its consequences for health and medical expenditures, uninsured, and the relationship between health and economic well-being. He earned his M.D. degree from the Harvard-MIT Division of Health Sciences and Technology and his Ph.D. in Economics from MIT. He completed his residency training in internal medicine at Brigham and Women's hospital, and he is board-certified in Internal Medicine. Dr. McClellan is married and has two children.