

# PERSPECTIVE

ELECTION 2004

## Health Care Coverage and Drug Costs — The Candidates Speak Out

*The editors asked President George W. Bush and Senator John F. Kerry to respond to two questions regarding health care in the United States. The questions and their responses follow.*

**The number of uninsured people in the United States continues to grow. An absence of health benefits can have a stifling effect on economic growth. How will you modify policy to ensure wider access to health benefits?**

**SENATOR KERRY REPLIES:**

Today, a family's ability to ensure that all its members get the high-quality health care they deserve is challenged as never before. Roughly 45 million Americans have no health insurance at all. Even those with health care coverage have seen costs soar — over the past four years, the cost of health insurance has increased by more than \$3,500 for the typical family. Skyrocketing health care costs not only hurt our families — they hurt our economy.

My goal is simple: high-quality, affordable health coverage for all Americans to keep our families healthy, our businesses competitive, and our country strong.

The job begins with our children. There are more than 8 million uninsured children in our nation. I will start by providing health insurance for every child in the United States. Under my health care plan, the federal government will pay the full costs for the 20 million children in the Medicaid program. In return, we will ask states to expand coverage to children in families with higher incomes than are currently eligible, as well as to low-income adults.

Too many people who do not have employer-based coverage do not have access to affordable

health insurance. Small businesses often face the same challenge. Without the buying power of a large corporation, they have a hard time getting high-quality, affordable health plans for their employees.

That is why my approach gives every American the right to buy the same coverage that members of Congress give themselves. This is good coverage at a reasonable cost, with plenty of choices among private plans. In addition to guaranteeing access to the Congressional Health Plan for all Americans, we will provide additional assistance for those who need the most help. My plan provides a 25 percent tax credit to millions of Americans 55 to 64 years of age who have a low or moderate income in order to help pay the cost of their premiums. My plan also helps low- and moderate-income Americans who are between jobs by offering them a 75 percent tax credit to help pay for their pre-



miums. We will make health care more affordable for small businesses by offering them a tax credit that covers up to 50 percent of their premium contribution for employees with a low-to-moderate income. Finally, persons with low-to-moderate incomes whose employers do not provide them with coverage will get a tax credit to help pay the cost of participating in the federal health plan.

Taken together, these provisions will cover 95 percent of Americans, including all children. My plan will provide health coverage for 27 million people who are currently uninsured.

At the center of my strategy for addressing the

health care crisis is a plan to control spiraling health care costs. We will hold down health care premiums without relying on price controls or other outmoded approaches. We will begin by focusing on the largest driver of rising premiums: the costs of catastrophic health care. My plan offers employers a new bargain that will hold down costs and expand coverage. Under this bargain, the federal government will pick up 75 percent of the cost of catastrophic health claims (approximately \$50,000 per claim) for employers who agree to provide high-quality coverage for their employees, to share with their employees savings from lower premiums, and to adopt disease-management programs and other incentives to improve overall employee health and reduce costs.

This innovative plan will reduce a family's annual health care premium by as much as \$1,000 and help to expand employer-based coverage. At the same time, it will push the entire health care system toward better and more cost-effective medical practices. This proposal will also stabilize health care costs for businesses and insurance companies and make those costs more predictable so that businesses can improve their plans for the future.

We will improve the quality of care and enhance the efficiency of the medical system by cutting billions of wasted dollars in administrative processing and paperwork. We have a public-private system that excels at innovation and has some of the best health care professionals in the world. But health care services are delivered by an enormous, low-tech bureaucracy that soaks up approximately \$300 billion a year for nonmedical expenses, including preparing, submitting, calculating, paying, and collecting medical bills. If hospitals, doctors' offices, and health insurers were to use the same technologies that are now used throughout the rest of the private sector, they could radically reduce transaction costs. At the same time, they could expand the use of medical best practices and reduce the risk of deadly medical errors.

To promote an information-age revolution in our health care system, my plan will require private

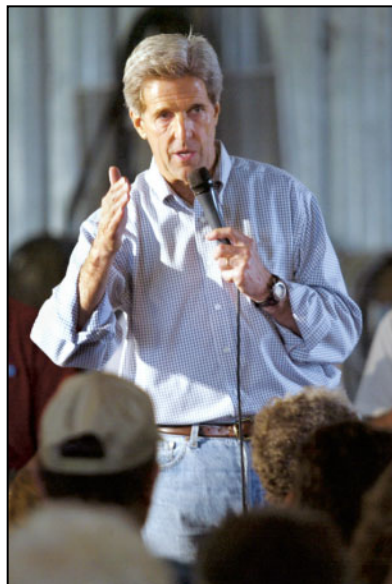
insurers who do business with the federal government — through programs such as Medicare, Medicaid, and the Department of Veterans Affairs — to adopt advanced information systems for the management of medical records and financial bookkeeping; give health care providers bonuses for streamlining paperwork and using electronic medical records and billing systems; and establish a goal of ensuring that all Americans have secure, private electronic medical records by 2008. These changes will not only cut costs but also eliminate unnecessary tests and drastically reduce the rate of medical errors.

The next part of my plan to reduce health care costs will improve the quality of care, reduce medical errors, and ensure healthier

lives for all Americans by encouraging and rewarding disease-management and prevention efforts. To reduce the rates of injuries and deaths due to inadequate care, my plan would provide financial incentives to help providers and purchasers improve quality, including upfront capital investments for enhancing infrastructure in hospitals and other medical facilities; reward health care organizations and physicians with financial bonuses for investing in modern information systems; provide economic incentives to encourage the use of computers

in prescribing, which can reduce the rate of medication errors by 80 percent or more; and make medical errors transparent by changing the culture and habits in health care so that errors and patient injuries are immediately discovered and disclosed in order to prevent them from happening again.

My plan will also take steps to curb the rising cost of medical-malpractice insurance, which not only increases overall health care costs but also threatens Americans' choice of providers in the health care system. Access to care is threatened as more and more providers are leaving their practices because of ever-increasing malpractice insurance premiums. Although I oppose arbitrary caps on malpractice suits that impose the biggest burdens on the victims who have been the most wronged, my plan will reduce unnecessary malprac-



tice costs through five measures. I will oppose punitive damages except in cases in which intentional misconduct, gross negligence, or reckless indifference to life can be established; I will require that persons making medical-malpractice claims first go before a qualified medical specialist, who would review the case (reexamining the patient if necessary) to make sure a reasonable grievance exists; I will require states to ensure the availability of nonbinding mediation in all malpractice claims before cases proceed to trial; I will support sanctions against plaintiffs and lawyers who bring frivolous medical-malpractice claims, including a “three strikes and you’re out” provision preventing lawyers who file three frivolous cases from bringing another suit for 10 years; and I will eliminate the special privileges that allow insurance companies to fix prices and collude in ways that increase medical-malpractice premiums.

**PRESIDENT BUSH REPLIES:**

Since taking office, I have worked to ensure that every American has access to high-quality, affordable health care. From giving millions of Americans the ability to own and control their own health care through tax-free health savings accounts (HSAs) to opening and expanding access to community health centers throughout the country, I have supported policies that help more people get the health care they need.

Looking ahead, I have a comprehensive plan that builds on these measures, helps more Americans get access to health benefits, and controls the root causes of rising health care costs. Instead of forcing Americans into an expensive, inflexible, one-size-fits-all, government-run health system, my proposal provides assistance to those who need it most — low-income children and families, small businesses, the self-employed, and people who do not get health benefits through their jobs. I also believe that we must attack rising health care costs at the source, by promoting commonsense medical-liability reforms, reducing costly medical mistakes, and giving people more control over their health care decisions.

Millions of Americans will get help with their out-of-pocket medical care expenses and greater control over their own health care decisions through HSAs. Recent studies by the National Federation of Independent Business and Aetna have shown that these accounts have the potential to help consum-

ers and employers reduce health care costs, as well as to give previously uninsured Americans access to high-quality, affordable health benefits. My health care plan includes a number of proposals that would expand access to HSAs for individuals, families, and small businesses. Under my plan, individuals who purchase low-premium, high-deductible health insurance policies for use with HSAs will get an above-the-line tax deduction on the premiums they pay for these policies. This will help to reduce the net cost of these policies and encourage Americans to save for their future health care needs.

To ensure that every American can afford health insurance, I support a tax credit to help low-income families and individuals purchase health insurance. If low-income families choose a tax-free HSA, they will receive up to \$2,000 for their premiums and \$1,000 cash to put in their HSA to help meet the deductible. Individuals will receive up to \$700 for their premiums and \$300 cash for their HSA. If they do not choose an HSA, they will still receive a tax credit worth up to \$3,000 for a family, and they will be able to receive the cash before tax time if they need it. Because many uninsured people work for small businesses that cannot afford to provide health benefits to their employees, I will propose a tax credit for HSA contributions to help these individuals and their families fund their HSAs. Small businesses and their employees who set up an HSA will get a tax rebate for contributions to the HSA of up to \$500 per worker with family coverage and \$200 per worker with individual coverage.

In addition, individuals and small businesses should not have to pay more for health benefits just because they do not have the purchasing power of larger businesses. To give small employers and their workers more purchasing power, I have proposed allowing small businesses to band together through association health plans to negotiate lower health insurance premiums on behalf of their employees and families. I also support expanding the scope of this concept so that people who purchase coverage on their own can buy health insurance from a group other than an employer. This move would allow civic and charitable groups, churches, and other types of nonprofit organizations to offer health insurance to their members.

Finally, I believe strongly that all Americans should have access to the lowest rates for their health insurance. Although it is easy to use the Internet or toll-free numbers to shop for most prod-

ucts today, different rules apply to health insurance. Currently, consumers can purchase health insurance only in the state in which they live and cannot shop around for a better deal in another state. I believe in making it easier for Americans to buy affordable health insurance by giving people the freedom to shop across state lines to find the best rates for their health coverage.

Today, too many lawsuits that have no merit are being filed against doctors and hospitals, forcing them to practice defensive medicine, driving good doctors out of practice, and increasing health care costs for everyone. The Department of Health and Human Services recently determined that proposed medical-liability reforms could permit between 2.6 million and 5.1 million additional Americans to obtain health insurance. To make health care more affordable for and accessible to everyone, I support commonsense reforms to the medical-liability system that reduce the number of frivolous lawsuits and control excessive jury awards. Although all Americans who have a legitimate claim must have their day in court, no patient has ever been healed by frivolous lawsuits.

In addition to medical-liability reforms, my health care agenda also includes promoting the use of health care information technology that will improve health care quickly, save lives, and save money. I have set the ambitious goal of ensuring that most Americans will have electronic medical records within a decade, because I believe that our health care system can benefit from an information infrastructure that provides patients and doctors with complete and accurate medical records. Implementation of this technology will reduce unnecessary treatments and red tape. I will also continue fighting fraud and waste in the health care arena.

Because I recognize the needs of uninsured and medically underserved communities, I proposed a plan to open or expand 1200 community health center sites to serve an additional 6.1 million Americans by 2006. Community health centers provide critical primary and preventive health care services to those who need them the most — people with

low incomes, migrant farm workers, homeless people, and children — regardless of their ability to pay. During the next four years, I will build on my record of expanding access to health care to help Americans in need. My health care plan will ensure that poor counties have a health center or clinic. These clinics will be located in urban and rural areas where there is currently little access to basic health care services.

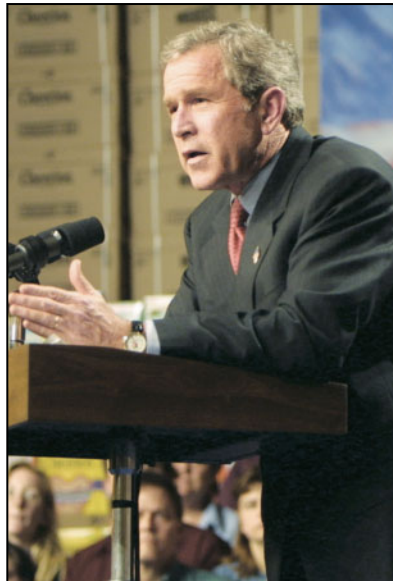
No American child should be left without health benefits. In order to help children and families obtain the medical care they need, I will launch a nationwide, billion-dollar “Cover the Kids” campaign to sign up more children for high-quality health care coverage. This campaign will combine the resources of the federal government, states, and community organizations, including faith-based organizations, with the goal of covering all children who are eligible for the State Children’s Health Insurance Program (SCHIP) within the next two years.

**Drug costs loom as a major concern of all citizens. What policy changes would you implement to control these costs?**

**PRESIDENT BUSH REPLIES:**

Reducing drug costs and expanding access to prescription drugs for all Americans have been cornerstones of my domestic policy agenda. The best way to control rising drug costs, while preserving the innovation that will result in future cures for diseases, is through greater competition and price transparency.

Therefore, my administration has removed barriers to bringing safe, affordable generic drugs to market. Our nation offers the best prices on generic drugs in the world. More than half of all prescriptions today are for generic drugs, rather than brand-name drugs. This trend results in part from a regulation that the Department of Health and Human Services promulgated in 2003, which closed legal loopholes that pharmaceutical companies were exploiting to block competition from generic-drug manufacturers. It is estimated that this regulation will save consumers \$35 billion in drug costs over the next decade.



Also in 2003, I signed into law the Medicare Modernization Act, which took further steps to encourage competition from generic-drug companies. Millions of seniors have already received immediate and substantial savings on the cost of their prescription drugs through Medicare-approved drug-discount cards. More than 4.3 million Medicare beneficiaries are enrolled in the discount-card program and an additional 100,000 are signing up each week. These drug-discount cards are saving seniors and disabled Americans an average of more than 20 percent per prescription on their prescription-drug costs. In addition to these savings, low-income beneficiaries are getting a \$600-a-year subsidy — a total of \$1,200 through the end of 2005 — to help pay for their prescription medicines.

It is easy to sign up for the cards. By calling a toll-free number or visiting the Medicare Web site, beneficiaries can learn which card offers the best prices at their pharmacy on the medications they take. They can also find out how they might save more by ordering drugs through the mail, switching to a generic drug, or talking to their doctor about changing their prescription to a more reasonably priced brand-name medicine.

During the next four years, I will keep my commitment to America's seniors by fully implementing the prescription-drug benefit I signed into law in 2003. Beginning in 2006, seniors without prescription-drug coverage will be able to join a Medicare-approved plan that will cut their yearly drug costs roughly in half, in exchange for a monthly premium of about \$35. In many cases, the savings can be even greater. For example, seniors with no drug coverage and monthly drug costs of \$800 will save nearly \$5,900 on drug costs each year. All Medicare beneficiaries will be protected against high out-of-pocket expenses, with Medicare covering 95 percent of all drug costs over \$3,600 per year. Medicare beneficiaries with limited savings and incomes at or below 135 percent of the poverty line will receive prescription-drug coverage with no additional premiums, no deductibles, and low copayments (\$2 for generic drugs and \$5 for brand-name drugs). Finally, seniors who like the prescription-drug coverage they currently have will be able to keep it when the benefit is fully implemented in 2006.

**SENATOR KERRY REPLIES:**

In the past year alone, prescription-drug prices increased by 17 percent, at four times the rate of inflation. The Medicare prescription-drug benefit enacted by Congress last year was long-overdue recognition that prescription drugs are central to modern health care, especially in managing the chronic illnesses of so many seniors. But the new benefit is too costly, too complex, and woefully inadequate for seniors. It is no wonder that a majority of seniors have refused to get the new drug-discount cards. Despite much election-year hoopla, price discounts have already been outstripped by rising prices. Many drugs that are in high demand — such as Lipitor (atorvastatin), Prevacid (lansoprazole), and Zocor (simvastatin) — cost more with the new discount cards than they cost on the Internet. The unfortunate truth is that the real beneficiaries of the prescription-drug benefit created by the Bush administration are the drug companies and health maintenance organizations (HMOs) that have been guaranteed what is essentially an open-ended corporate subsidy.

Drug companies should make a profit in return for their investment in the research and development that produce lifesaving drugs and other critical medicine. But I oppose anticompetitive policies that force American seniors to pay excessive prices for new drugs and prevent Americans from obtaining cheaper generic and imported drugs. My plan for prescription drugs for seniors will give Americans access to the discounts available in Canada and other countries by allowing the reimportation of safe prescription drugs that have been approved by the Food and Drug Administration. It will also end artificial barriers to the availability of less expensive generic drugs; require the federal government to negotiate better prices for prescription drugs through programs such as Medicare; demand the disclosure of real costs and profits from the pharmacy-benefit managers who control drug benefits for more than 200 million Americans under both public and private health plans; give states incentives to negotiate better drug prices for participants in Medicaid and state employee health plans; and overhaul the new Medicare drug benefit to ensure that seniors are not forced into HMOs.