

A Preliminary Analysis of Senator John Edwards' Health Reform Proposal

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February 3, 2007
8:20 pm

Overview

The Edwards health reform proposal would provide for universal coverage through an employer and individual mandate to contribute to and purchase health insurance. The Edwards plan also includes several elements aimed at making health insurance more affordable and improving the quality of care provided. Key elements of the plan are outlined below.

1. Universal Coverage.

- a. *Individual mandate.* All individuals would be required to purchase health insurance²
- b. *Employer mandate.* Employers with 5 or more workers would be required to contribute at least 6 percent of payroll toward the cost of health insurance.
- c. *Government Insurance Tax Credits.* No family earning under 300% of poverty would pay more than 5 to 7 percent of income toward the cost of health insurance. Financial assistance would be provided to families of four earning up to \$100,000 per year by limiting their premium contribution to 10 percent of income.

2. **Purchasing Pools.** New purchasing pools would be created for all similar to those used by the Federal Employees Health Benefits Program (FEHBP). Premiums would be offered on a guaranteed issue, community rated basis. Individuals could continue to receive coverage through the employer, or through the new purchasing pools.

3. **Expansion of Medicaid and the State-Children's Health Insurance Programs.** All children under 250 percent of poverty would become eligible for the SCHIP. Currently eligible and uninsured children would be enrolled in the Medicaid and SCHIP as well.

¹ The opinions outlined in the paper are those of the author and do not reflect Emory University. Dr. Thorpe is not affiliated with the Edwards campaign.

² The modeling assumes the standard package is based on the average plan offered in today's employer-based market.

II. Proposals to make health insurance more affordable and higher quality.

The Edwards' proposal includes several elements that would reduce the level and cost of health insurance. These include:

- Expanded use of chronic care management in Medicare and Medicaid
- Adopting electronic medical records

In addition, the Edwards' proposal would also encourage cost-effective care through:

- The use of preventive care. This would include new incentives for individuals to enroll in wellness programs, and schedule free physical exams
- Paying for better health outcomes. Medicare and the FEHBP should lead the way and compensate physicians at higher rates for providing higher quality care.
- Price transparency in pricing and performance. The Edwards plan would create "Consumer Reports" for health care allowing families to select the best value health care provided for their medical situation.

Finally, the Edwards' plan seeks to improve the quality of care by:

- Promoting the more rapid diffusion of evidence-based medicine. This effort could be led by the Institute of Medicine allowing physicians to keep pace with the rapidly changing medical technologies and new clinical evidence.
- Prevent medical errors. The IOM estimates that up to 100,000 individuals die each year due to potentially preventable medical care events. New efforts to give hospitals more effective tools for monitoring the source of medical errors will be pursued. This new information would lead to corrective actions designed to reduce the number of medical errors in the system.
- Head to head testing of medical technologies. In addition to examining the safety and effectiveness of medical drugs and devices, the FDA should also examine the relative cost-effectiveness of new drugs and devices coming on the market.

III. Impact of the Edwards' proposal on Federal spending.

The Edwards plan lays out a specific set of actions to move to universal coverage—an individual and employer mandate to pay for health care. The actual federal cost of the proposal will depend on key design features, many of which are explicit in the plan, but others reflect assumptions I have made in developing the estimates. Variations in the design of the program would impact the ultimate federal cost of the plan. As a result, I present a range of estimates that likely span the range of potential costs of the proposal. The estimates presented below assume the plan is fully implemented in federal fiscal year 2010.

The estimate reflects that fact that the plan would cover all those projected to be uninsured in 2010 (about 50 million).

Exhibit 1. Estimated Federal Costs Associated with Senator Edwards' Health Plan, 2010, Billions of Dollars

Proposal	Costs in Billions
Cover uninsured children in Medicaid	\$8.0
Expand SCHIP to 250%	\$5.7
Cover uninsured workers	\$59.6
Cover uninsured non-workers	\$22.3
Financial incentives for currently insured workers to receive coverage through the purchasing pool	\$10 to \$50
Net federal cost	\$105.6 to \$145.6

The Edwards plan would cost approximately \$105 to \$145 Billion per year if fully implemented in 2010 to move to universal coverage.