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MCCAIN'S HEALTHCARE REFORM WILL REDUCE PREMIUMS AND THE NUMBER OF UNINSURED

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October 16, 2008

[Publisher's Note: We are pleased to offer this original commentary from respected health care analyst Ralph Weber - Flash]

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Effective spending reform takes bold, but not necessarily complicated legislation. What it takes is intelligent thought and a deep understanding of the problem. While liberals prefer to use legislation to regulate your choices and compel you into compliance, Senator McCain is a maverick, and unlike the typical politician, knows that the simpler he can make legislation, the more effective it will be. Too many politicians devise complicated bills laden with pork barrel spending, earmarks, and require the formation of new government bureaucracies. Too many bills end up adding such a huge administrative burden to those that are supposed to help, and compliance becomes so costly that they fail.



Senator McCain understands that the "Healthcare Problem"

is not that 45 million Americans are uninsured, he knows that the problem is that healthcare has become so expensive, and the symptoms of that problem are the high number of uninsured. Attempting to solve the "problem of the uninsured", is like trying to put out a fire by aiming the extinguisher at the tips of the flames rather than the coals.

Employers have been given unlimited tax deductions for healthcare, which has allowed employers to buy more and more expensive plans every year. Every dollar spent on healthcare is subsidized by other tax payers, while wages are not. Senator Obama criticizes the fact that McCain is only providing a \$2,500 single and \$5,000 family tax credit while the Kaiser Family foundation reports that average family premiums are \$12,106 per year. He criticizes the taxation of the employer on health benefits. Senator Obama appears to be confusing the difference between a tax deduction and a tax credit.

McCain's plan is brilliant in its simplicity. The first part is to allow people to shop for healthcare across state lines. While the national average employer sponsored premium might be \$12,106¹, The national average for individually purchased health insurance is only \$4,424²

with a high in NJ of \$14,403, and an average in NM of only \$2,985. Senator McCain feels that basic healthcare should be tax deductible by individuals, yet right now employees who purchase individual health insurance pay in after tax dollars. Since McCain does not believe in wealth distribution, he does not feel that someone who purchases a Rolls Royce plan should have their purchase subsidized by other tax payers. Under McCain's plan, an individual may be taxed for the premiums paid by his employer, but having to declare an extra \$12,000 in income is more than offset by a \$5,000 tax credit.

A family earning \$14,000 to \$56,000 is in the 15% federal tax bracket, so a \$5,000 tax credit is equal to a tax deduction of \$33,000. A family earning \$57,000 to \$114,000 is in the 25% tax bracket, which means a \$5,000 tax credit is the same as a \$20,000 tax deduction. A family earning \$175,000 to \$311,000 is in the 33% bracket, so a \$5,000 tax credit is equal to a \$15,000 deduction. This tax credit CLEARLY helps the middle class who need more help in obtaining healthcare, than it does high income earners, who are more likely to have a health plan already.

If the government were to offer a tax subsidy of \$75,000 for a car, suddenly the market would be crowded with cars costing \$75,000. By giving a tax credit of \$5,000 for families, not only will that be equivalent to a tax deduction of \$20,000 for the average family, it will actually be enough to pay for the average family healthcare premium in New Mexico, and leave \$2,000 which the family can use to start building up some health savings, joining a spa, or to contribute towards their retirement.

John McCain's plan will drive down the premiums for health insurance by allowing shopping across state lines, and by encouraging people to buy more reasonably priced health plans by stopping the unlimited subsidies now in place. It will also reduce the number of uninsured by the reduction of premium, and by giving individuals who purchase health plans individually, the same tax break that employers now get.

1 Accessed 10/14/08 -
[Web Link](#)

2 Accessed 10/14/08 -
[Web Link](#)

Ralph F. Weber is a healthcare policy analyst who designs and brokers insurance products and writes healthcare reform policy for politicians and medical associations. Originally Canadian, Weber immigrated to California after his wife waited 2 ½ years on a surgical waiting list in Canada, which he now speaks about at healthcare debates across the country. He is a Certified Financial Planner, a Chartered Life Underwriter, and a Registered Employee Benefits Consultant.

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