

Frequently asked questions about the AMA proposal for reform

Q: What are the basic principles of the AMA proposal?

A: The American Medical Association (AMA) proposes that individuals and families receive financial assistance to purchase a health plan of their choice, with more generous assistance to those with lower incomes. The financial assistance could take the form of tax credits or vouchers and must be earmarked for health insurance coverage. Health insurance market regulations should be reformed to establish fair “rules of the game” that protect vulnerable individuals, without unduly driving up premiums for the rest of the population.

Q: How does the AMA suggest funding its plan?

A: The AMA proposes eliminating or capping the employee income tax exclusion that the federal government currently provides for employment-based health insurance, which would provide the federal government with more than \$125 billion annually. In addition, the AMA supports redistributing the public funds currently spent on uncompensated care—funds that are provided to institutions to compensate for the higher operating costs for treating the uninsured—and using tobacco tax revenue for the expansion of health care services.

Q: Isn't health insurance on the individual market a terribly expensive and confusing proposition?

A: Not necessarily. According to a 2007 eHealthInsurance.com and Kaiser HRET Employer Health Benefits Survey, actual premiums paid for insurance bought on the individual market are, on average, 60–65 percent lower than premiums for employment-based insurance. These substantial premium differences are due largely to the fact that many people, when given a choice, opt for less generous coverage than is typically offered by employers. In addition, there is evidence that health insurers are increasingly competing in the individual market, which improves the chance of finding an affordable health insurance policy. Finally, individuals purchase many types of insurance on their own. The AMA believes that the growth in the availability of individually owned insurance would be accompanied by new educational materials to help with selection.

Q: What about people with pre-existing conditions?

A: The AMA supports protecting high-risk patients by advocating direct subsidies provided through high-risk pools, risk adjustment and reinsurance. Existing indirect market regulations such as strict community rating and guaranteed issue have proven to be crude and ineffective in protecting high-risk patients. Too often, the indirect approach drives up health insurance premiums and the number of the uninsured.

Q: Will the AMA proposal encourage employers to drop health insurance benefits?

A: No. Employers offering health benefits currently do so voluntarily in order to attract and retain workers, and will continue to do so to the extent that the market demands it, regardless of whether the AMA proposal is implemented. Under the AMA proposal, health benefits for employees will continue to be deductible business expenses even if they are provided in the form of defined contributions to employees.

Q: What about cost? Will health insurance be affordable under the AMA proposal?

A: Affordability of health insurance depends not only on health coverage choices and premiums in the transformed market but also on the amount of the financial assistance provided. The tax credits or vouchers must be sufficient to cover a substantial portion of the premium costs for individuals of lower incomes. At the lowest income levels, the tax credits or vouchers should approach 100 percent of the premium.

Q: What is the government's role under the AMA proposal?

A: In short, we advocate a clear role for government in financing and regulating health insurance coverage, with health plans and health care services being provided through private markets, as they are currently. The AMA proposal gives patients more control over our nation's health care dollars, without sacrificing personal security or choice. It reflects important social values and traditions, such as assistance based on need, freedom of choice, market innovation and fairness.

Q: Does the AMA support mandated coverage?

A: The AMA supports greater individual responsibility, but not a mandate. Individuals would be free to choose not to have health coverage and face tax consequences such as forgoing incentives, penalties or a combination of the two. The AMA advocates individual responsibility to purchase health insurance coverage only for individuals and families with incomes greater than 500 percent of the federal poverty level (FPL). Those with incomes below 500 percent of the FPL would not be required to obtain coverage until a system of tax credits or other subsidies is implemented.

Q: Does the AMA proposal address the problem of people becoming uninsured when they are between jobs?

A: Yes. For most Americans, a change in employment status typically means a change in insurance coverage. In contrast, under the AMA proposal, people could use tax credits or vouchers to help pay for premiums of any available insurance, whether offered through a job, another arrangement or the individual market. Purchases of individual health insurance would not be affected by a job change.

Q: How is the AMA proposal different or better than a single-payer system?

A: Both the AMA and the single-payer approaches emphasize the same goal of universal coverage, but they differ on how to implement it. The AMA does not believe that full government control is a workable model for the United States. Single-payer systems are plagued with an undersupply of medical personnel, long waiting periods and a lack of patient choice. Alternatively, the AMA proposal seeks to enhance patient choice and encourage patients to be conscious of health insurance costs, while also maintaining innovation in the private sector.

Q: Does the AMA recommend a defined or standard set of health benefits?

A: No. The AMA believes that benefit mandates should be minimized to permit a wide choice of coverage options and allow market experimentation to find the most attractive combination of benefits, deductibles, copayments and so forth. The AMA has developed a framework for evaluating the adequacy of health benefits, one that provides enough guidance to minimize the incidence of inadequate health insurance coverage and enough flexibility to permit individuals to choose plans that reflect their needs and preferences.

Q: Would individuals who do not owe taxes be able to receive the tax credit?

A: Yes. The AMA supports refundable tax credits so that if the credit exceeds taxes owed, the individual receives the credit in the form of a payment that would be applied toward the purchase of health insurance.

Q: If I have a high income, will my taxes increase under the AMA proposal?

A: Perhaps, but the AMA proposal does not place an income ceiling on tax credit eligibility. It is likely, however, that in the interest of affordability, actual legislation would include an income ceiling and target the financial assistance to those who have lower incomes. Everyone, regardless of income or tax credit eligibility, will benefit from the new system. For instance, individual tax credits will greatly alter the individual health insurance market, which will address some of the problems of health insurance being linked to employment and difficulty obtaining pre-Medicare retirement coverage. In addition, enabling more Americans to purchase health insurance will reduce the hidden costs of uncompensated care, which increase taxes and contribute to rising health insurance premiums.

Q: Does the AMA support HSAs?

A: Yes. The AMA supports greater choice of coverage and, accordingly, supports health savings accounts, or HSAs, as an option for patients.

Q: How does the AMA suggest implementing its proposal?

A: The AMA proposal—which advocates enhancing patient choice while also expanding health insurance coverage—could be implemented incrementally or in a more comprehensive fashion. For example, the AMA supports individual tax credits for specific target populations and capping the tax exclusion for employment-based health insurance as incremental steps toward implementing our proposal. In addition, many of the regulatory reforms supported by the AMA to protect vulnerable individuals without increasing premiums for the rest of the country could be implemented independent of other elements.

Visit www.voicefortheuninsured.org for more information on the AMA proposal and to view additional pieces in this series.

