

**Covering the Uninsured**  
**Step One:**  
**Don't Spend More**  
**to Increase # of Uninsured**

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# The Cost-Insurance Dilemma

- Cost pressure from basic design of modern health insurance:
  - ◆ Patients and providers bargain at zero price
- Tax subsidies further reduce cost recognition
  - ◆ At time of health care receipt
  - ◆ At time of health insurance purchase
- Higher costs lead to fewer privately insured
- Less private insurance induce more government
- More government further discourages private insurance

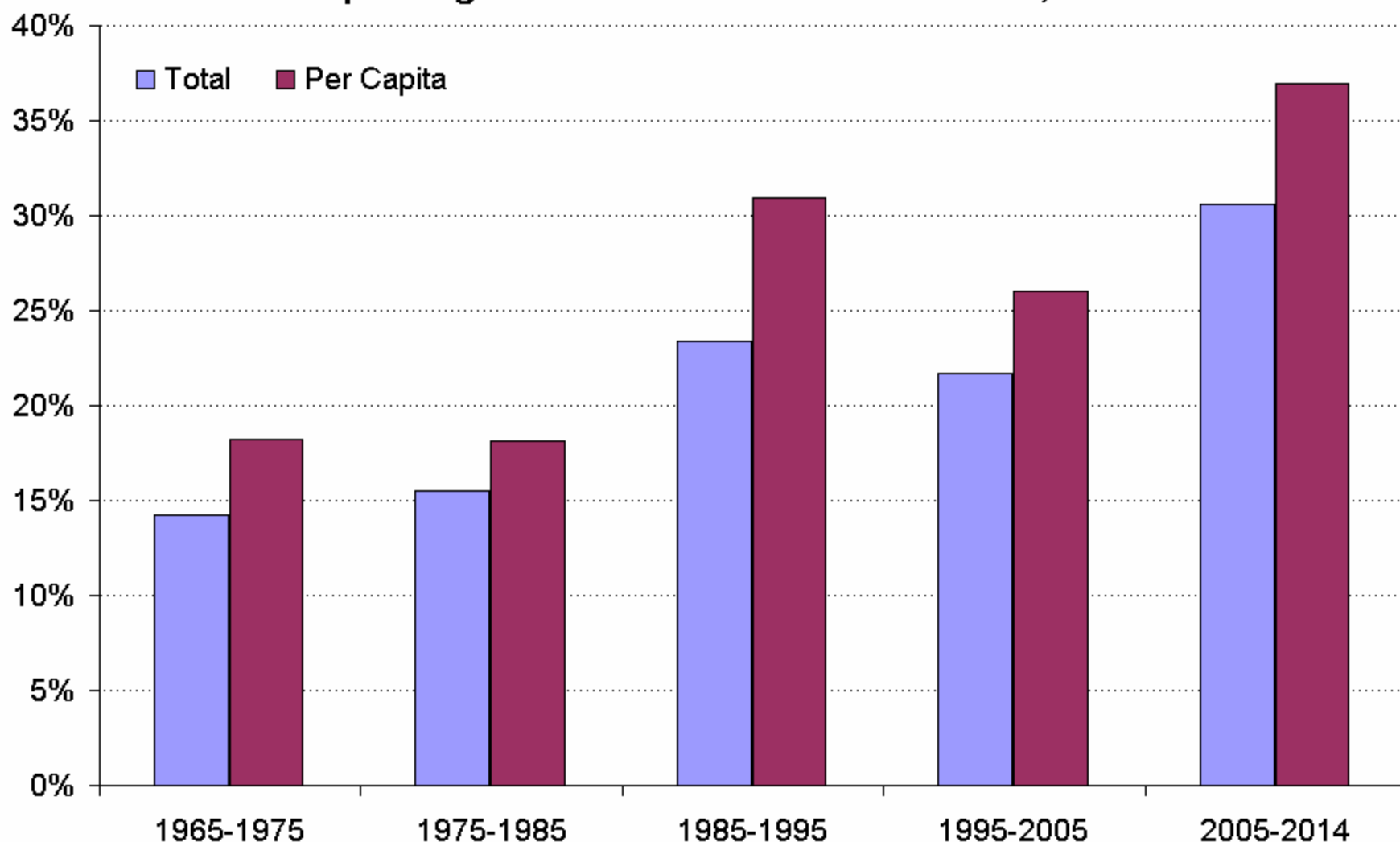
# The Reform Dilemma

- Society afraid to let anyone control costs:
  - ◆ Individual—too much inequity
  - ◆ Intermediaries—untrustworthy
  - ◆ Government—no way to decide future without some market
- Reformers have sought to “buy reform”
  - ◆ Increasing health care demand & gross costs even more

# Why It Can't Continue Forever

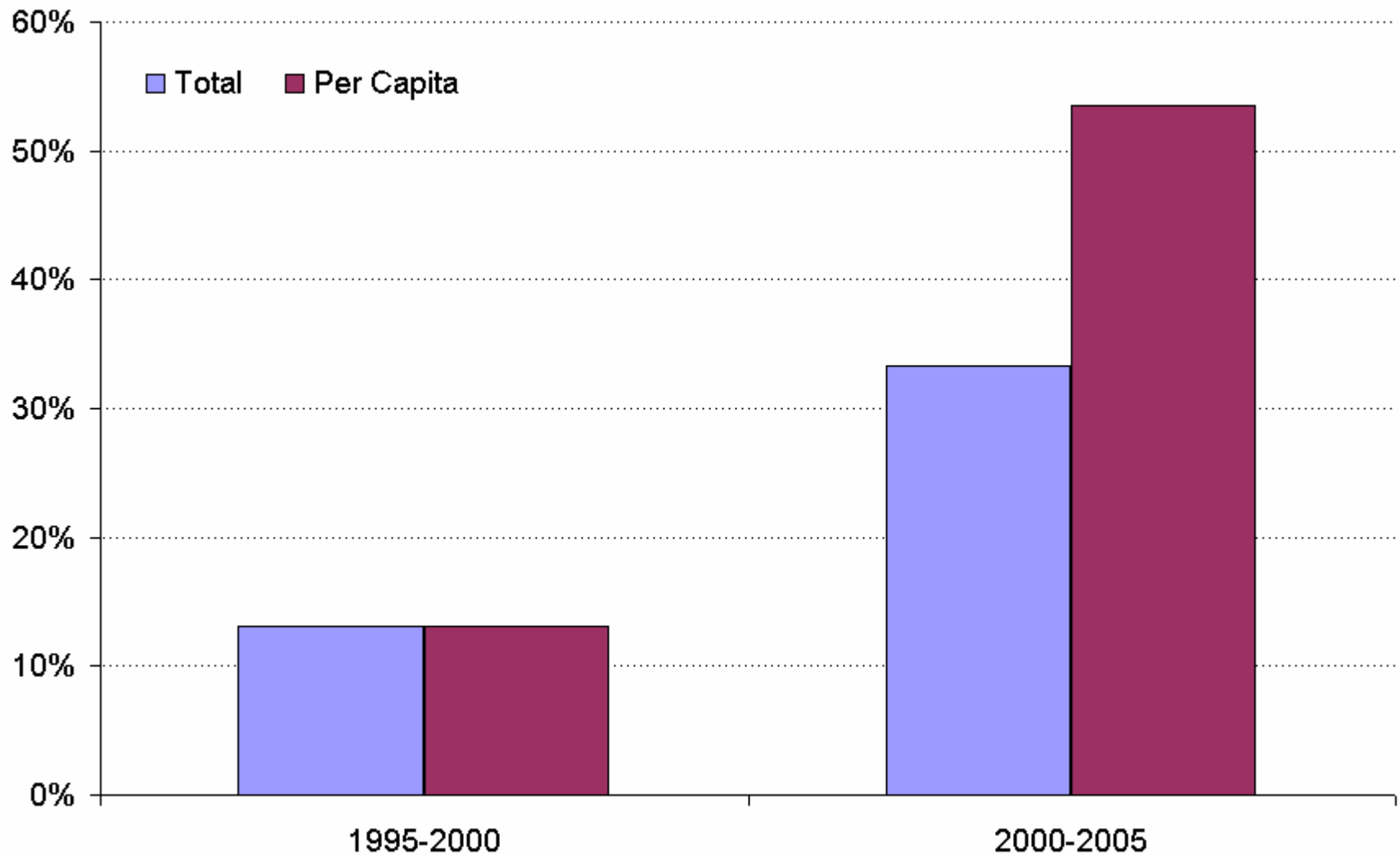
- Pressures on non-health sectors
  - ◆ Usually ignored in health projections
- Pressures on federal budget
  - ◆ Health displacing everything else
    - ◆ Programs for children, families
    - ◆ Much of traditional government
- Simultaneous pressures on redistribution
  - ◆ Greater redistribution of income
  - ◆ Greater inequality in health care

## Health Spending Growth as a Share of Total Growth, 1965-2014



Source: The Urban Institute, 2005. Based on data from the Office of the Actuary, Centers for Medicare and Medicaid Services, the Bureau of Economic Analysis and the Bureau of the Census.

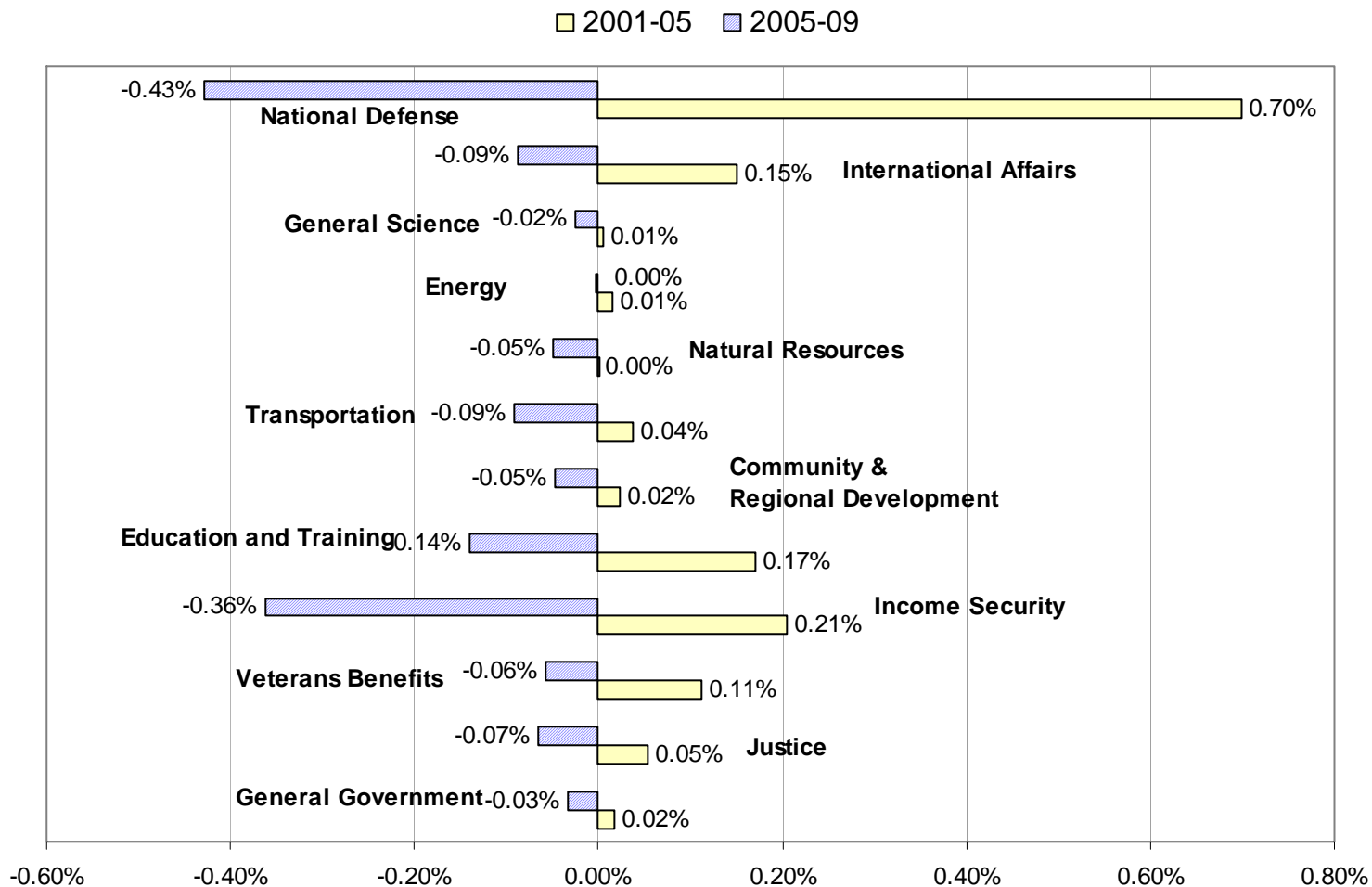
## Health Spending Growth as a Share of Total Growth, 1995-2005



Source: The Urban Institute, 2005. Based on data from the Office of the Actuary, Centers for Medicare and Medicaid Services, the Bureau of Economic Analysis and the Bureau of the Census.

# The President's Expenditure Budget:

## Reduce Share of Pie for Everything but Health & Retirement



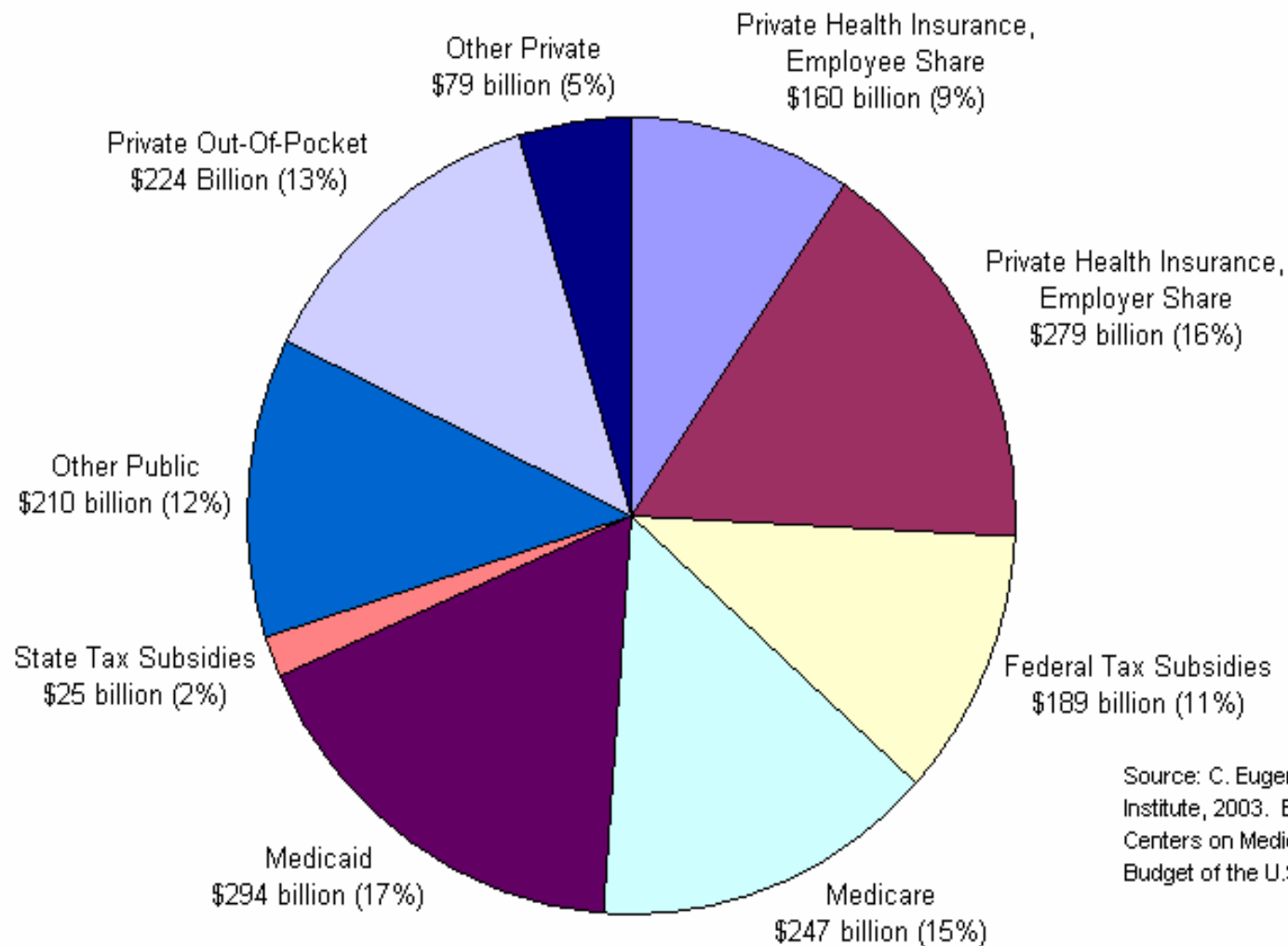
Source: C. Eugene Steuerle and Adam Carasso, The Urban Institute, 2004. Data based on the U.S. Budget FY 2005, Historical Tables, Table 3.1. Excludes allowances and undistributed offsetting receipts.

# Health Tax Subsidies

- Largest for richest people and highest cost plans
- Subsidies of \$150 billion to rise by \$100 billion annually within 5 years alone
- That increase of \$100 billion will likely *INCREASE* number of uninsured
  - ◆ By adding to cost pressures
- Health subsidies tend to *HIDE* costs of insurance

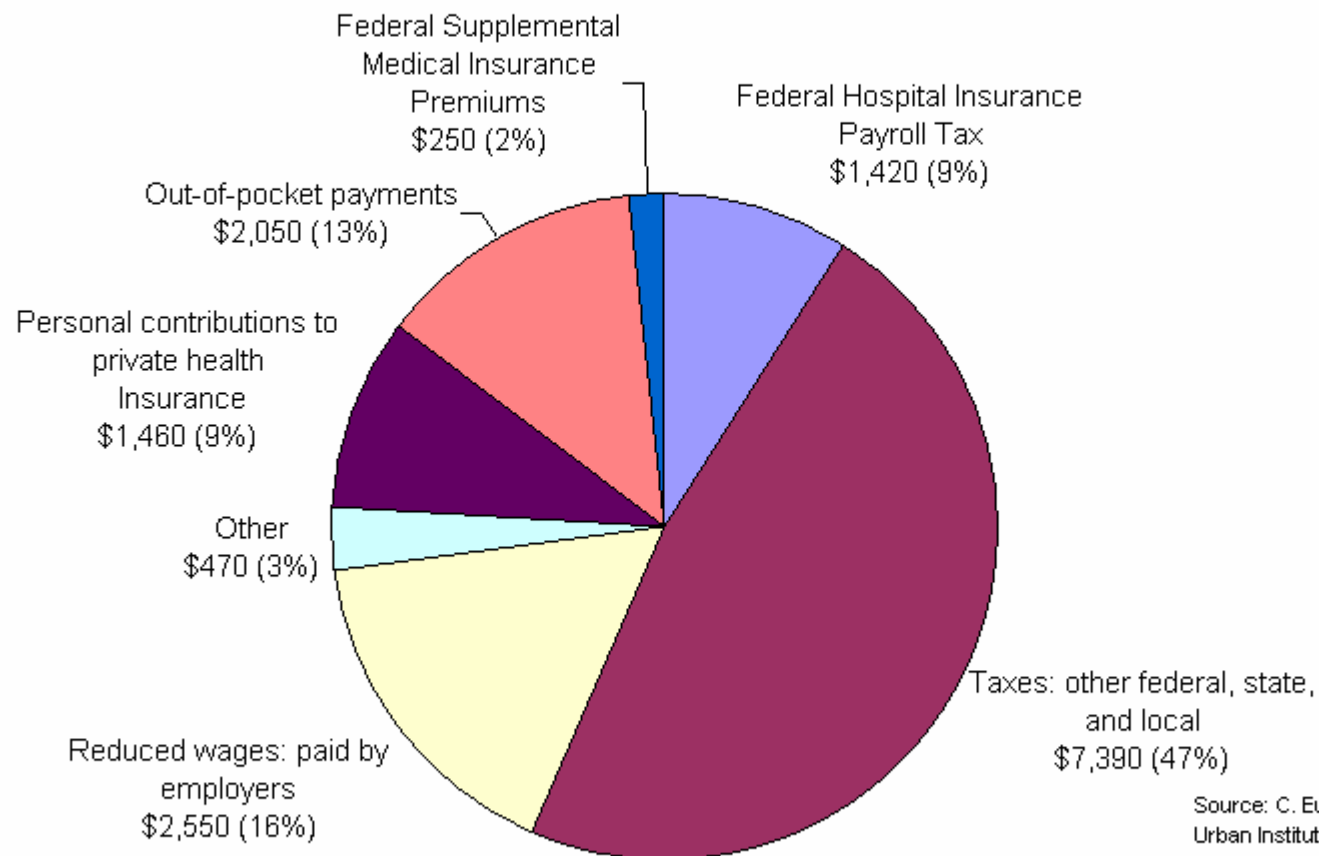
# Estimated Sources of Financing for U.S. Health Care Expenditures, Calendar Year 2003

(Total = \$1,707 Billion)



Source: C. Eugene Steuerle, The Urban Institute, 2003. Based on data from the Centers on Medicare and Medicaid and the Budget of the U.S. Government, FY 2004.

## Average Health Care Costs Per Household By Source, 2003 (Total = \$15,590)



Source: C. Eugene Steuerle, The Urban Institute, 2003. Based on data from the Centers on Medicare and Medicaid and the Budget of the U.S. Government, FY 2004.

# A Partial Solution

- Cap on tax breaks
- Modest tax credit for all purchasers of health insurance
- Employers to offer (not necessarily pay for) at least one state-approved plan
- “Indirect” mandate: loss of some tax benefits for those who don’t buy insurance
- Cap initially pays for the credit
- Automatic enrollment by employers unless employees opt out

# More Insured Due To:

- More universal subsidy
- Cap (constraining cost growth)
- Employee recognition of insurance costs
- Modest individual mandate
- More employer offerings
- Immediate tax withholding effects due to both credit and to individual “mandate”
- Opt-out versus opt-in provision of insurance

# CONCLUSION

- ALL THE FOLLOWING POSSIBLE W/O CHANGING GOVERNMENT COST:
  - Greater equity
  - More efficiency
  - Reduced cost growth
  - More insured
- NOT A COMPLETE SOLUTION
  - BUT A HECK OF A BETTER WAY TO SPEND AN ADDITIONAL \$100 BILLION OF ANNUAL HEALTH SUBSIDIES