

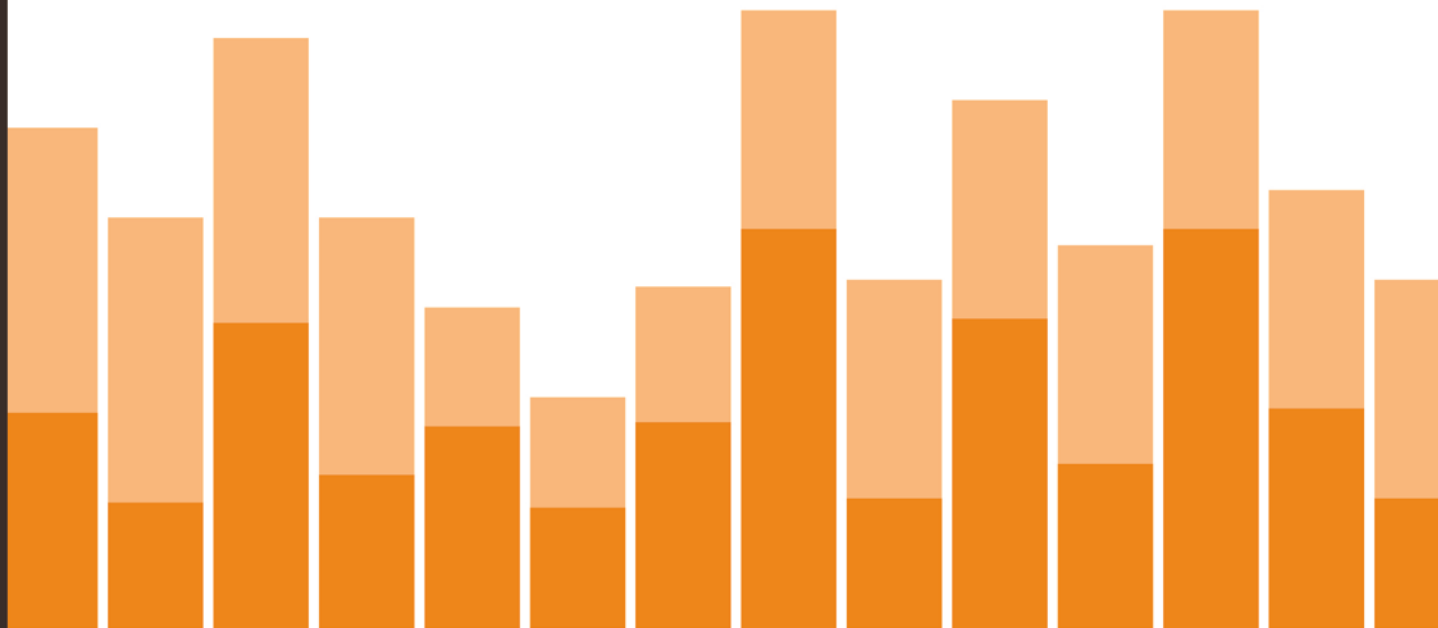
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Election 2016: Where the Candidates Stand on Employer- Sponsored Health Care

An American Health Policy Institute Analysis

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2016



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Introduction

Much of the discussion in U.S. health care policy is wrapped up in the binary question of whether or not a candidate supports the Affordable Care Act (ACA). Health care policy, however, faces many other important questions. While the ACA has resulted in expanded health care coverage for 20 million Americans who were previously uninsured,¹ the majority of Americans receive health coverage through employer-sponsored insurance (ESI), not through ACA exchanges or ACA-expanded Medicaid. As the nation approaches the 2016 presidential election, it is instructive to examine the health care reform plans of both presidential candidates through the lens of how their proposals would affect the ESI system. In the years ahead, the impact of the candidates' respective health care proposals on the status of ESI will be a critical determinant of the state of most Americans' health coverage.

A separate question is what forces are in play that would cause the next administration and Congress to open up the ACA to amendment and what amendments might be in play. For example, as carriers gain more experience with the ACA exchanges and their ability to price health care appropriately, the nation in 2017 could face a situation in which 25 percent of all counties in the U.S. could have only a single exchange insurer and some counties may have no insurer at all. If coverage became unaffordable and/or unavailable in the exchanges, Congress would be forced to act. There are other forces in play as well, but this paper focuses the question of the view of the candidates regarding ESI.

While one can never predict with certainty how an administration will engage on a particular issue, we now have much more information than we had during the primary elections. This information includes candidate statements, party platforms, and the records of the vice presidential candidates. The upcoming general election debates this fall and the ongoing work of the candidates' transition teams will provide additional detail in the months ahead.

The Candidates

Republican nominee Donald Trump, the newer of the two candidates to the policy arena, has published a health care reform plan, albeit a less detailed one than Hillary Clinton's. Trump promises to repeal the ACA on "day one" of his administration, attacking specifically the law's individual mandate, which requires most Americans to maintain health coverage or pay a penalty for noncompliance. As an ACA replacement, Trump has outlined a strategy for lowering health care costs and encouraging patients to consider costs when selecting health care providers.

The proposal rests predominantly on seven policy objectives:

- Repealing the ACA;
- Legalizing the sale of health insurance plans across state lines;
- Allowing individuals to fully deduct health insurance premiums from their taxable income;
- Supporting the use of Health Savings Accounts (HSAs) with high deductible plans (HDHPs);
- Increasing health care price transparency;
- Giving Medicaid block grants to states; and
- Lowering drug costs by removing restrictions on the importation of drugs from abroad.²

For the most part, Trump’s proposals are not targeted to the employer-sponsored market, but could increase cost-shifting by some health providers if Medicaid reimbursement rates are reduced.

Another source to look at when it comes to GOP health care reform is Congressional Republicans because, as Trump’s plan notes, all health care reforms “must begin with Congress.”³ In this vein, House Republicans, led by Speaker Paul Ryan, released an outline of a health care plan in June 2016 titled *A Better Way*. This plan was a first look at core GOP priorities for health care reform. Unlike Trump’s plan, *A Better Way* makes a point of laying out a series of reforms aimed at strengthening the ability of employers to offer health care benefits to their employees. The plan proposes policies that protect wellness programs and self-insurance. The GOP plan encourages employers to take an active role in providing care to their employees by limiting the reach of the American with Disabilities Act and the Genetic Information Nondiscrimination Act have on wellness programs, expanding HSA utilization by allowing catch-up contributions, and by increasing accessibility to HSAs for underserved populations. The plan also calls for some kind of limitation on the tax deductibility of the employee portion of ESI. The GOP plan is intentionally vague in order to serve as an opportunity to start a conversation about the appropriate level of tax deduction.⁴

Given that the ACA is already implemented and is providing subsidies to millions of Americans, prospects for complete repeal are unlikely. That being said, the health care law is flawed and will require changes, as both Clinton and Trump acknowledge. Therefore, it is reasonable to expect that no matter who wins the White House in November, changes to the law are coming. It is useful to look at the overlap in the two candidates’ stances on health care policy to see where these changes might plausibly take place.

Presidential Candidates’ Proposals on Employer-Sponsored Health Care

	Clinton	Trump
Patient Protection and Affordable Care Act (ACA)	Proposes keeping and “building on” the ACA to expand coverage and correct for its shortcomings ⁵	Advocates for complete repeal of the ACA on “day one of the Trump Administration” ⁶
Taxing high cost health insurance plans	Plans to remove from law the Cadillac Tax (ACA’s excise tax on high-cost health insurance) ⁷	Opposes the Cadillac Tax (as part of ACA repeal) and calls for individuals to receive the same uncapped deductions for health insurance as currently afforded to employers ⁸

	Hillary Clinton	Donald Trump
Lowering health care costs	Supports transparency, a public option, and lowering prescription drug costs ⁹	Endorses cost transparency and deregulation of prescription drug imports and competition ¹⁰
Reducing burden on consumers	Hopes to implement a refundable tax credit for excessive out-of-pocket costs, to block “unreasonable” premium hikes, and to protect patients from “surprise medical bills” ¹¹	Encourages the use of Health Savings Accounts and Health Reimbursement Accounts that accumulate tax-free funds to be used on health care spending ¹²

Hillary Clinton’s main health care reform proposal calls for strengthening and expanding the ACA. However, despite her support of the ACA, Clinton has also proposed repealing the ACA’s excise tax on high-cost health insurance, or the so-called Cadillac Tax. The Cadillac Tax is one of the most disliked components of the law—and a revenue source for the law’s spending provisions.¹³ Secretary Clinton proposes to replace the revenue lost from repealing the Cadillac Tax by increasing taxes on the “wealthy.”

Clinton’s published health care “briefing” proposes that all plans cover up to three sick visits annually, in addition to offering preventative services already mandated by the ACA. She sees expanding the power of the Department of Health and Human Services to block insurance rate hikes and protecting patients from “surprise medical bills” as necessary steps to increase the affordability of the plans offered on the ACA exchanges.

Clinton also plans to introduce a refundable tax credit to relieve consumers of “excessive out-of-pocket costs” while concurrently restructuring the health care system to incentivize quality care, in an effort to shift away from the current fee-for-service health care model. Clinton advocates for universal access to a state-administered public option, which in theory would compete with private insurers to drive down premiums. Besides expanding standards for health insurance plans and potentially affecting broad trends in the health care market, Clinton’s proposals do not specifically target the current system of employer-sponsored health care.¹⁴

The Platforms

When it comes to the main issue related to employer-sponsored health care, there are some interesting differences between the two party platforms. The Democratic platform vows to eliminate the Cadillac Tax.¹⁵ The Republican platform does not make the same vow.¹⁶ However, the Cadillac Tax came about as part of the ACA, so the Republicans can argue that the Democrats imposed the Cadillac Tax in the first place, and that the GOP promise to repeal all of the ACA would include repealing the Cadillac Tax. Both the GOP platform and Trump’s health care plan call for extending

the tax exclusion on health care spending to individuals, which would leave the employer exclusion untouched, and uncapped.^{17, 18}

On other ESI issues, the Republican platform proposes more “portability” in health insurance in order to make maintaining coverage between jobs easier. The platform also endorses HSAs and health care price transparency, all aimed at promoting consumerism in health care and ultimately bending the cost curve of health care spending.¹⁹

The Democratic platform touts its support for the ACA, along with its support for Medicare and Medicaid, and advocates for “universal health care.” It proposes to lower the minimum eligibility age for Medicare from 65 to 55, but it is not clear what impact it would have on employees with ESI.²⁰ In line with that proposal, and in response to Senator Bernie Sander’s *Medicare for All* proposal, Clinton has voiced support for an option to buy into Medicare as young as age 50. Similar to the Republican platform, the Democratic platform makes a case for transparency and health care cost reduction, especially costs associated with prescription drugs.²¹

The Vice Presidential Candidates

With the Vice Presidential candidates now selected, it is worth looking at where Indiana Governor Mike Pence and Virginia Senator Tim Kaine stand on the question of employer-sponsored health care as well. Both candidates have significant health care policy experience as governors and congressmen, experiences that could color how a Trump or a Clinton administration might approach the issue of employer-sponsored health care.

In contrast to many of his fellow Republican governors, as Governor of Indiana, Pence accepted federal funds for the ACA’s Medicaid expansion. The expansion ended up being a crucial part of the ACA, as the law has covered far more people via Medicaid than via the ACA exchanges. Pence accepted the expansion as part of his effort to establish the Healthy Indiana Plan (HIP) 2.0. In this way, he put a “conservative twist” on the effort to expand health coverage for low income Hoosiers.²² As part of HIP 2.0, Pence put in place a program called HIP Link—an extension of Indiana’s Medicaid initiatives to serve Indiana residents who both qualify for coverage under Medicaid and whose employers offer ESI.

Under HIP Link, the State of Indiana effectively subsidizes ESI for employees with incomes at or below 138 percent of the federal poverty level. HIP Link leaves unchanged the typical means of employer-sponsored health care access: employers deduct health care premiums from employees’ paychecks and employees go through their employer-sponsored health insurance to receive care. HIP Link then reimburses employees for the difference between the premium deducted by employers and the income-based defined contribution determined by the state, generally two percent of the employee’s income.²³ Estimates suggest that Indiana’s expanded HIP 2.0 allowed 170,000 newly qualified adults and almost 115,000 dependents to receive financial assistance for the employer-sponsored health care in which they were already enrolled.²⁴

Although he did go along with the Medicaid expansion, Pence remains a supporter of ACA repeal in keeping with the 2016 Republican platform.²⁵

Vice Presidential Candidates' Health Care Track Records

	Mike Pence	Tim Kaine
Patient Protection and Affordable Care Act (ACA)	Opposes the ACA and calls for its repeal ²⁶	Early backer of the ACA who has worked to fix glitches in ACA coverage ²⁷
ACA Medicaid expansion	Despite opposing the ACA, accepted federal funds for ACA's Medicaid expansion in Indiana as part of a larger reform ²⁸	Supports Medicaid expansion, though his state of Virginia has not expanded the program ²⁹

In contrast to Pence, Hillary Clinton's VP candidate Tim Kaine was an early backer of the ACA as governor of Virginia.³⁰ However, despite his support for the ACA's Medicaid expansion, and that of current governor Terry McAuliffe, Virginia remains one of the 19 states not to have expanded Medicaid due to Republican opposition in the state legislature.³¹

Under Kaine, Virginia had one of the lowest health care expenditures per capita of any state but received criticism for a lack of focus on reforming the insurance system and on increasing access to coverage.³² In 2009, Kaine initiated legislation requiring insurers in the Commonwealth of Virginia to cover telemedicine, in line with his reputation as a proponent of IT networks and health care delivery reform. Kaine also pushed for state reform to increase ease of access to health care for employees of small businesses.³³

As a U.S. Senator, Kaine worked to fix "glitches" in ACA coverage, introducing the *Family Coverage Act*, which offered premium tax credits to individuals whose employer-sponsored health care was unaffordable for their families, and co-sponsoring the *Protecting Affordable Care for Employees Act*, which redefined employers with 51 to 100 employees as "large employers" to allow mid-sized businesses to more easily navigate health insurance markets and to increase flexibility in creating employee benefits packages.^{34, 35, 36}

Conclusion

The candidates' previous positions are instructive, but they can only tell us so much about the ways in which the presidential nominee and vice presidential nominee pairs will shape health care in office. Voters will have to decide not based on perfect information, but on the information available at the time. As this analysis reveals, there are many differences between the two parties when it comes to health care reform, and too little specificity from them about the issue of employer-sponsored health care. Still, there are areas of agreement. Both Clinton and Trump take issue with the Cadillac tax, and both discuss transparency and the rising cost of prescription drugs. But there are also significant differences. Clinton wants to adjust the ACA while Trump wants to repeal and replace it. Trump wants to extend the deduction to individual plans while Clinton prefers giving individuals a tax credit to address excessive costs. In the end, a look at the candidates' proposals reveals that there is an underlying belief that unites the two parties, as well as most Americans: the health care system is not yet as it needs to be and must be changed.

Endnotes

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