

THIS ALONE SHOULD CREATE A GROUND SWELL OF UNSHAKEABLE SUPPORT AND ACTIVISM FOR OBAMA AND AGAINST McCAIN!

EVERY MEMBER CAN RELATE TO A REAL LOSS IN INCOME OF \$2,400 to \$3,300 OR MORE!

READ CAREFULLY AND PASS ON TO EVERY UNION MEMBER OR PERSON WITH EMPLOYER SPONSORED HEALTHCARE!

McCain's Health Care Plan

Let's start with the one hard proposal McCain has made: he would tax employer-sponsored health insurance and create new tax credits--\$5000 for a family and \$2500 for an individual--for people who buy their own insurance. As Holtz-Eakin made clear in the [talk](#) I attended last month, this means that workers would have to pay taxes on the value of health benefits they received from employers. This is explicitly an attempt to kill the existing system of employer-provided care by dramatically increasing taxes on workers.

How would this work out for the typical worker? Consider this information from the most recent Kaiser Family Foundation [study](#) of health care costs. In 2007, for a family the average total premium for a health care plan was \$12,106, with \$8824 paid by the employer. Let's say the McCain plan is enacted. What would happen to that average family if the employer continued to provide coverage (Scenario 1)? For a married couple filing jointly with income \$63K-128K, the marginal tax rate is 25%, so they would face a tax increase of \$2406 (25% of \$8824).

But of course the intent of the McCain plan is to kill the employer-provided system. So let's say the McCain program is adopted and your employer drops your family's coverage (Scenario 2). What would happen? You would now have to foot the complete \$12,106 bill for coverage, a \$8825 increase over the employee-portion you're currently paying. This would be offset by a \$5000 tax credit. So net, you would end up paying \$3325 (\$8825-\$5000) more for your health care.

So, remarkably, McCain has managed to design a heads-you-lose, tails-you-lose program. Either your employer keeps your coverage, in which case you face a huge tax increase. Or your employer drops your coverage, and you face an even more massive increase in your out-of-pocket health-care costs.

The best-case scenario would be that employers who dropped coverage would then increase wages, compensating workers for the jump in what they have to pay for health care. In the long-run, there's a fair case to be made that this would happen, but as Keynes famously remarked, "In the long run, we're all dead," and the transition period would be extremely painful.

None of this gets to the key problem in McCain's plan: on the individual market, people with pre-existing conditions would be denied coverage. Here's the relevant part of the Times article:

Mr. McCain had previously described aspects of his health care plan but on Tuesday offered new details on how to cover people with existing health problems, in a nod to the growing concerns about the difficulties that many sick, older and low-income people have getting insurance.

Elizabeth Edwards ... recently pointed out that both she and Mr. McCain could be left uncovered by Mr. McCain's plan because she has cancer and he has had melanoma. Stung by such criticism, Mr. McCain is trying to develop a way to cover people with health problems while still taking a generally market-based approach to solving the health care crisis.

"I'll work tirelessly to address the problem," Mr. McCain said in a speech here at the H. Lee Moffitt Cancer Center & Research Institute. "But I won't create another entitlement program that Washington will let get out of control. I won't do it. Nor will I saddle states with another unfunded mandate."

Overall, the McCain plan would raise taxes on workers in an effort to eviscerate the current health care system in the name of free market idolatry. To the extent it fails to completely destroy the existing system--as McCain's advisor anticipates--it would saddle the average family with \$2400 in extra taxes to penalize them for having employer-sponsored care. And if the McCain plan succeeded in killing the current system, it would leave tens of millions unable to buy any care, until he comes up with some new safety net, details to be provided later, i.e. never.

---United Steel Workers President Leo Girard, September 2008