



May 21, 2009

Within hours of releasing their alternative to government-run health care, the Patients' Choice Act was assailed by partisan, false and misleading attacks from the Democratic National Committee. It isn't clear how these attacks fit into President Obama's vision for a "new kind of politics." The sponsors of the PCA are prepared to debate and defend their bill on its merits. Unfortunately, the defenders of government-run health care are not.

**1. The DNC claims: "Americans rejected the same concept when Sen. John McCain proposed it during the 2008 Presidential election and will reject it again."**

Response:

The PCA isn't the McCain bill any more than Obama's bill is Hillary Clinton's bill from 1993. This partisan, ad hominine attack is cut and paste rhetoric from 2008 attack ads, and it ignores the content of the legislation. The sponsors of the PCA aren't relying on linking Obama's plan to Hillary Clinton's plan because they are confident they can win the argument on the merits of the bill. The DNC, however, knows the American people will reject a government-run plan so they have to distort any and all alternatives.

[Our Q&A explains the differences between our bill and the McCain bill.](#)

**2. The DNC claims that "the tax credit won't be enough to buy real coverage. Under the PCA the tax credit would be \$5,700 for families, \$2,300 for individuals, and an additional \$5,000 debit card for low-income Americans."**

**The DNC then asserts that the tax credit isn't enough to cover health care premiums, which average \$13,000 a year. The DNC also points to CBO scores of our bill that do not exist.**

Response:

This claim is a deliberate attempt to confuse the public about how health insurance works and it directly contradicts President Obama's own economic advisors.

As the DNC knows, Americans who receive their health benefits from their employer pay roughly one-third of the total health coverage costs, while their employer pays roughly two-thirds. For example, the average family's annual health insurance plan cost about \$13,000 last year, with an employer paying about \$8,600, while the employee only paid about \$4,200 in annual premiums. Under the PCA, all Americans would receive a tax credit – over \$5,700 for families – which can only be used to pay for health insurance or medical expenses. Individuals and families will be able to use any overages to pay for preventive care, which can be rolled over at the end of the year.

Economists from across the political spectrum – including President Obama's own economic advisors – have argued that the current tax treatment of health benefits is one key driver of our out-of-control health care costs. Jason Furman, the President's deputy economic advisor argued that replacing the tax exclusion with tax credits would reduce

May 21, 2009

health spending without harming health outcomes: "Replacing the current tax preference for insurance with an income-related, refundable tax credit has the potential to expand coverage and reduce inefficient spending at no net federal cost."<sup>1</sup>

**3. The DNC claims that the PCA would dismantle the current employer insurance system. The DNC supports their claim with outdated attacks against the McCain plan.**

Response:

The PCA changes nothing in the tax code for employers. Employers would still be able to deduct as a business expense the cost of providing health insurance for employees. What the PCA does change is the employee exclusion. For instance, if any employee earning \$60,000 receives \$10,000 in health insurance from their employer, the employee's W-2 will now reflect \$70,000 in income. Because the PCA's tax credit is so generous virtually all taxpayers will receive a net tax cut under this change. In fact, the PCA sets up a progressive change in the tax code, with lower-income Americans receiving a greater benefit.

Businesses will have precisely the same incentives to offer insurance as they do now. Employer-sponsored health insurance will continue to be a recruiting tool and will be a way for businesses to keep their employees healthy and productive. The DNC doesn't name a single business that will drop private-insurance because of our bill. More importantly, they ignore evidence from the Lewin Group that nearly 120 million Americans will lose their private, employer-based insurance under President Obama's public option. The plan the DNC supports is by far the greater threat to employer-based insurance.

Finally, the DNC is mindlessly and inexplicable defending an aspect of the tax code that is a relic of World War II which does not reflect the economic challenges American families face today. The tax code they defend is terribly regressive and harmful to the people who need help the most. The current DNC-backed system discriminates against low-income Americans: wealthy Americans receive \$2,680 in tax breaks for health care while the poorest Americans only receive \$102.26.<sup>2</sup>

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<sup>1</sup> Furman, Jason, "Health Reform Through Tax Reform: A Primer," *Health Affairs*, May/June 2008, <http://content.healthaffairs.org/cgi/content/abstract/27/3/622>.

<sup>2</sup> John Sheils and Randall Haight, "The Cost of Tax-Exempt Health Benefits in 2004," *Health Affairs* Web Exclusive, February 25, 2004, <http://content.healthaffairs.org/cgi/reprint/hlthaff.w4.106v1.pdf>.