



TO: Interested Parties
FROM: Doug Holtz-Eakin, McCain-Palin 2008 Senior Policy Adviser
RE: Obama's Lies On Health Care
DATE: October 5, 2008

Across the country, Barack Obama is attacking the McCain health plan with ads that are cynical and deceitful. Unfortunately, these attacks will not stop by a mere presentation of the facts. Barack Obama has now made a deliberate decision to lie about John McCain's health care plans with the realization that no one in the media will actually call him on it. Barack Obama's attacks are not grounded in the facts.

There are significant and legitimate policy differences between John McCain and Barack Obama that voters should clearly understand. We do suspect this will be difficult to accomplish, as we've seen that pinning down Barack Obama's policy positions is like debating the protégé of John Kerry. He has changed his tax plans nearly weekly to disguise his most basic intention to raise taxes during a recession. He has played games with NAFTA and international trade to disguise his belief that opening foreign markets to American workers is not good. He has been on both sides of the Second Amendment in an effort to disguise his fundamental anti-Second Amendment positions. He has displayed a willingness to say *anything* in order to be elected president including deriding basic American values at a San Francisco fundraiser in order to raise campaign cash while traveling to diners in Pennsylvania telling us how much he cherishes small-town values.

Now, Barack Obama's attention has turned to health care where he demonstrated yesterday that he will say anything to distract the American people away from his basic intention to force millions of Americans to accept government-run health care. He will say anything in order to sell the American people on the fact the very same government he supposedly wants to change is the government he wants to determine their health care benefits. Please find below the facts about Barack Obama's health care plan:

- **Barack Obama's Plan Continues The Push Towards Government-Run Health Care:** The Obama plan will create a brand new government-run health plan at the cost of \$243 billion a year – a financial burden of more than \$3,000 a year on American families.¹ The apparent goal is a complete government takeover of the health care system:

"If I were designing a system from scratch, I would probably go with a single-payer system." – Barack Obama, Speech in Albuquerque, NM, 8/18/08

"The goal, like HillaryCare in the 1990s, is to displace current private coverage and switch people to the default government option. What's new is Mr. Obama's smoother political packaging." – "Obama's Health-Care Tipoff," Wall Street Journal Editorial, 8/21/08

"Obama's plan, with its heavy reliance on government, leads to the same problems that bedevil universal health care systems all over the world: limited patient choices and rationed care." – Michael Tanner, "A Fork in the Road – Obama, McCain and Health Care," 7/29/08

- **Barack Obama's Plan Will Harm Employer Coverage:** The Obama plan includes a \$179 billion a year employer mandate.² The mandate requires employers to either provide "meaningful" coverage or pay a tax towards the government plan.³ Faced with tough economic conditions and rising health costs this creates a clear incentive for employers to drop coverage and move families into the new government plan. A Lewin Group study which examined a similar employer mandate combined with a national plan, like the Obama plan, concluded that almost 52 million individuals would lose their private employer coverage.⁴ To maintain their competitive edge, others employers will follow - spelling the demise of the employer coverage system.

¹ Roger Feldman et al. "Impact of Barack Obama 2008 Health Reform Proposal," HSI Network, LLC., 8/21/08

² Roger Feldman et al. "Impact of Barack Obama 2008 Health Reform Proposal," HSI Network, LLC., 8/21/08

³ <http://www.barackobama.com/pdf/issues/HealthCareFullPlan.pdf>, Accessed 10/3/08

⁴ <http://www.sharedprosperity.org/hcfa/lewin.pdf>, Accessed 10/3/08

- **Barack Obama's Plan Will Damage Private Coverage:** The government-run plan will have a clear advantage over private insurance since it will be subsidized by American taxpayers. A recent analysis of both plans by the nonpartisan CATO Institute concluded that the Obama government-run plan will be able to "keep its premiums artificially low...since it can turn to the U.S. Treasury to cover any shortfalls" resulting in "undercutting the private market."⁵ According to *The Wall Street Journal*, the goal of the Obama plan "...like HillaryCare in the 1990s, is to displace current private coverage and switch people to the default government option."⁶
- **Barack Obama's Plan Will Not Solve The Problem Of The Uninsured:** Despite a staggering cost, Barack Obama's health care plan will only cover a little more than half of the 47 million uninsured. Under the plan, 22.5 million people will remain uninsured while millions will face huge tax increases.
- **Barack Obama's Plan Will Not Solve The Problem Of Cost:** The Obama plan would cause a significant shift in the current health care plans that most families now enjoy. It would force more than 82 million Americans into plans that would cost more money than the plan they currently have, as "[h]igh option PPOs as well as the national public plan would become the dominant health plan offerings." So premiums will go up, not down.
- **Barack Obama Will Impose Higher Taxes On Employers:** The Obama "play-or-pay" mandate alone would cost \$179 billion per year. These costs will limit job and wage growth at a time when the government should be encouraging job creation rather than squeezing employers with additional costs. Furthermore, the cost of the Obama employer mandate would result in an annual tax of \$2,000 per worker for employers not offering coverage. Even with a vaguely mentioned Obama small business tax credit, the impact on job creation in our current economy would be devastating.

Lies About The McCain Plan

- **Barack Obama And Joe Biden Have Consistently Lied To The American People About The McCain Proposal:** Their claims have failed every fact-check – from CBS⁷ to the Washington Post⁸ – leveled at them. John McCain is not going to raise taxes on middle class families. Senators Obama and Biden are the only ones in this race that plan to raise taxes.
- **Transforming The Tax Code To Create Greater Equity:** The McCain plan transforms the current tax code to provide all American families – including the self-employed and the uninsured – the same tax benefit, a \$5,000 refundable tax credit (\$2,500 for individuals) that was previously only available to those with employer coverage. Families can use this credit to purchase insurance of their choice, including keeping their current coverage. ***This is an approach supported by Senator Obama's own Senior Economic Advisor Jason Furman who wrote that "we could scrap the current deduction altogether and replace it with progressive tax credits that, together with other changes, would ensure that every American has affordable health insurance."***⁹
- **Better Than "Members of Congress":** Under the McCain Plan, your employer can provide you with health insurance as good as a "Member of Congress", and you would pay no more in taxes – regardless of your tax bracket. In fact, you would have some additional money left over from the McCain tax credit to put in a health savings account.
- **On The Issue Of Congressional Plan – There Are Options, But All Are Under The FEHB Program:** A good example is the Blue Cross and Blue Shield Service Benefit Plan, which has combined monthly premiums for family coverage of \$1027.95, for an annual cost of \$12,335.40.

	Income Tax Liability	McCain Tax Credit	TOTAL Tax Savings
10% Bracket (Up to \$15,650)	\$1,200 (\$12,000 x 10%)	\$5,000	+\$3,800
15% Bracket (\$15,650 -63,700)	\$1,800 (\$12,000 x 15%)	\$5,000	+\$3,200
25% Bracket	\$3,000 (\$12,000 x 25%)	\$5,000	+\$2,000

⁵ Michael Tanner, "A Fork in the Road: Obama, McCain, and Health Care," CATO Institute, 7/29/08

⁶ Obama's Health-Care Tipoff," *The Wall Street Journal*, 8/21/2008

⁷ CBS, CBS Evening News, "The Truth About McCain and Insurance Taxes," 9/15/08

⁸ The Washington Post Website, http://voices.washingtonpost.com/factchecker/2008/09/four_pinocchios_for_bidens_tax.html, Accessed 10/3/08

⁹ Jason Furman, "Our Unhealthy Tax Code," Democracy: A Journal of Ideas. Issue 1, Summer 2006

(\$63,700-128,500)			
28% Bracket (\$128,500-195,850)	\$3,360 (\$12,000 x 28%)	\$5,000	+\$1,640
33% Bracket (\$195,850 - 349,700)	\$3,960 (\$12,000 x 33%)	\$5,000	+\$1,040
35% Bracket (349,700 and over)	\$4,200 (\$12,000 x 35%)	\$5,000	+\$800

- **Where Is The Middle-Class "Tax Increase"?:** If you or your family is in the 28% bracket, with an income of \$180,000, you could receive employer provided health insurance even better than a Member of Congress, with a cost of almost \$18,000, with no increase in taxes. Even the liberal leaning Tax Policy Center, agrees that the McCain proposals will result in a "net tax benefit" of more than \$1,200 for an average tax payer.¹⁰
- **Helping Those Without Employer Coverage:** If you are a middle-class American today without employer provided health care, the McCain plan would give you a tax credit of \$2,500 as an individual, or \$5,000 for a family, to help you buy your own health insurance coverage, including across state lines. American families – not government bureaucrats or insurance companies – will choose the coverage that best meets their needs. Today, the government does nothing to help you. Why does Barack Obama oppose this?
- **McCain Health Plan Puts Families In Charge:** In another desperate attack Senators Obama and Biden have said that McCain health care tax credits to help families buy coverage "will go straight to the insurance company." Here is what they fail to mention – the credit goes to the insurance company that the American family chooses to get coverage from, anywhere in the nation. The power of choice lies with the family – not government bureaucrats or insurance companies. Ridiculing this line of strange attack, *The Associated Press* stated, "Of course it would, because it's meant to pay for insurance. That's like saying money for a car loan will go straight to the car dealer."¹¹ Furthermore, any additional money left over after purchasing coverage will be controlled by the family in a portable health savings account.
- **McCain Health Care Plan Protects Our Vulnerable Population:** John McCain believes that no American should be denied access to quality and affordable coverage simply because of a pre-existing condition. As President, John McCain will work with governors to develop a best practice model that states can follow – a Guaranteed Access Plan or GAP – that would reflect the best experience of the states to ensure these patients have access to health coverage.¹² There would be reasonable limits on premiums, and assistance would be available for Americans below a certain income level.¹³
- **McCain Health Care Plan Gives American Families More Choices:** John McCain believes that American families should be given more choices by allowing them to purchase policies across state lines. In a move derided by fact checking organizations including Fact Check, the Obama campaign used this an opportunity to falsely accuse John McCain of deregulating health care markets akin to Wall Street.¹⁴ A recent study showed that simply allowing Americans to purchase across state lines would reduce the number of uninsured by almost 12 million.
- **McCain Health Care Plan Preserves Employer Coverage:** The McCain health plan builds on the employer-based system. Employers will have the same incentive to provide health insurance as they do today since they will continue to deduct the cost of health insurance they provide to employees. Nothing will change. In addition, payroll taxes will be protected from taxes under the McCain plan. Millions of American families with employer sponsored coverage in all tax brackets with the same coverage as a "Members of Congress" will now come out ahead with additional funds going into a portable health savings account. Importantly, younger and healthier employees with the McCain health care tax credit will have a bigger incentive to stay with the employers. **For example, a 25-year-old employee in the 25 percent tax bracket with a \$2,500 tax credit could either purchase a policy in the individual market for the same amount or stay with his employer plan and receive a \$5,000 policy with an additional \$1,250 to invest in**

¹⁰ *Id.*

¹¹ Calvin Woodward, "Some Facts Adrift In Veep Debate," Associated Press, 10/2/08.

¹² <http://www.johnmccain.com/Informing/Issues/19ba2f1c-c03f-4ac2-8cd5-5cf2edb527cf.htm>, Accessed 10/3/08

¹³ *Id.*

¹⁴ http://www.factcheck.org/elections-2008/out_of_context_on_health_care.html, Accessed 10/3/08

a portable health savings account. Why would people choose worse insurance and less money? Finally, the McCain plan through comprehensive cost-containment policies addresses the single biggest threat to employer coverage – rising costs.

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