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CONGRESS AND THE TAXPAYERS: A DOUBLE STANDARD ON HEALTH CARE REFORM?

INTRODUCTION

Millions of Americans may be anxious about the cost and long-term security of their job-related health benefits. And over 35 million Americans worry because they have no health insurance coverage at all. But not members of Congress, their staffs, and other federal employees. They enjoy special health care privileges that are denied to the rest of Americans.

Members of Congress and other federal jobholders can choose from among dozens of alternative health plans each year, irrespective of their families' health condition. And when federal workers move to different jobs within the federal sector, they are able to keep the coverage of their chosen plan without any interruption of benefits. They can even keep their chosen plan when they retire. Few other Americans enjoy such health care security.

Congressmen, like other federal workers, understandably like their system. So much so, that buried in many of the leading bills to restructure the United States' health care system, there are provisions that quietly would exempt members of Congress, their staffs, and their dependents from each bill's effect.[1]

Among the bills that exempt members of Congress and other federal employees:

"The HealthAmerica Act," S. 1227, sponsored by Senate Majority Leader George Mitchell, the Maine Democrat. This bill would require employers either to provide private health insurance for their workers or to pay into a public health insurance plan called "Americare." This is the principal so-called "play or pay" measure. A revised version of S. 1227 was approved this January 22 by the Senate

1 For a discussion of the options for reform, see Stuart M. Butler, "A Policy Maker's Guide to the Health Care Crisis, Part I: The Debate Over Reform," Heritage Foundation *Talking Points*, February 12, 1992, and Stuart M. Butler, "A Policy Maker's Guide to the Health Care Crisis, Part II: The Heritage Consumer Choice Health Plan," Heritage Foundation *Talking Points*, March 5, 1992.

Note: Nothing written here is to be construed as necessarily reflecting the views of The Heritage Foundation or as an attempt to aid or hinder the passage of any bill before Congress.

Labor and Human Resources Committee, chaired by Senator Edward M. Kennedy, the Massachusetts Democrat.

"The Health Insurance and Cost Containment Act," H.R. 3205, sponsored by Representative Dan Rostenkowski, the Illinois Democrat who chairs the powerful House Ways and Means Committee. The bill would also set up a play or pay system.

"The Pepper Commission Health Care Access and Reform Act," H.R. 2535, sponsored by Representative Henry Waxman, the California Democrat who chairs the House Subcommittee on Health and the Environment. This bill too proposes to reform the system along the play or pay model. It is based on the September1990 recommendations of the United States Bipartisan Commission on Comprehensive Health Care, named the Pepper Commission after its chief congressional sponsor and first chairman, the late Representative Claude Pepper of Florida.

"The Pepper Commission Health Care Access and Reform Act," S. 1177, sponsored by Senator Jay Rockefeller, the West Virginia Democrat who chaired the Pepper Commission. This is the Senate companion to the Waxman bill. Unlike the Waxman bill, it does not specify the financing for the new health insurance system.

The "US Health Program Act," H.R. 3535, sponsored by Representative Edward Roybal, the California Democrat. This bill combines elements of the play or pay approach with a single-payer system. Employers are required to enroll their workers in a "qualified employer health plan" or in the new US Health Program. The US Health Program would replace the current Medicare and Medicaid public insurance systems.

It is not hard to see why some members of Congress are trying to exempt themselves from many of the very health care reform proposals that they want to impose on the rest of America, or why they simply remain stone silent on the subject. Members of Congress and their staffs currently are enrolled in a program known as the Federal Employees Health Benefits Program.

This program, known as FEHBP, serves about nine million federal workers, retirees, and their families, including the President, the Vice President, the White House staff, cabinet secretaries, and federal judges.[2] This makes them the only Americans with a major health care program based on consumer choice within a system of market competition. While far from being a perfect system, FEHBP has many beneficial features absent from most existing private sector insurance plans. Examples:

2 For a full description of the program, see Robert E. Moffit, "Consumer Choice in Health: Learning from the Federal Employee Health Benefits Program," Heritage Foundation *Backgrounder* No. 878, February 6, 1992.

✔ **Personal Choice.** Most Americans are locked into "one-size-fits-all" company-based health plans, with little or no personal choice over their health benefits. But members of Congress and their staffs enjoy a wide range of choices of plans, from traditional fee-for service plans, like the giant Blue Cross and Blue Shield, to smaller group plans sponsored by employee organizations, to less expensive managed care options, such as geographically based health maintenance organizations (HMOs).

✔ **Balancing Price and Benefits.** Most Americans have no opportunity to decide what health insurance package gives the best value for money and best meets their needs and those of their families. They must take whatever plan—if any—is sponsored by their employer. Not members of Congress. Each year they can pick between competing plans, assessing the costs to themselves and their families and making judgments about quality and price. It is their decision. It is not the decision of a corporate benefits manager whose main concern is the company's "bottom line."

✔ **Portability.** Most Americans risk losing health coverage altogether if they change jobs or are laid off, and virtually every job change forces a change in a family's health plan. But in the federal system, workers can change jobs while keeping the same plan.

✔ **Security in Retirement.** Many private firms are cutting back on the health care coverage they promise to retirees, if they offer such coverage at all. And most Americans are unable to continue their private health insurance plan into their retirement years. Not members of Congress and their staffs. If they and other federal employees meet certain lenient eligibility conditions, they can continue their family plan at the same premium price into retirement, even if they are eligible to retire at 55. And, when a federal employee or retiree dies, their spouse continues to be covered. In certain cases, even former spouses are covered.

✔ **Lack of Red Tape.** Unlike doctors and patients in other federal health programs, congressional and federal employees, as well as the doctors and hospitals that care for them, are not drowning in a sea of regulations. The increasingly unintelligible rules, regulations, and guidelines afflicting Medicare largely are absent from the FEHBP.

✔ **Costs Under Control.** The FEHBP has been a leader in cost control, thanks to the ability of members of Congress and other federal-worker families to "shop around" for the best value among dozens of competing plans. For most of the 1980s, average premium increases in the FEHBP were below those of typical private sector plans. In recent years, even though the FEHBP enrolls 1.5 million higher-cost retirees and dependents and includes progressively higher benefits, the FEHBP performance has improved further. This year, the costs of typical

company-sponsored plans will increase by an estimated 20 percent to 25 percent.[3] But average FEHBP premium increases this year will be only 8 percent.[4]

The FEHBP is not perfect. But it does give members of Congress a solid foundation of experience upon which to build a comprehensive health care system for America based on the key market principles of consumer choice and competition.

Tax Credits or Vouchers. The Heritage Foundation Consumer Choice Health Plan is grounded in these principles, and would give every American family access to affordable health insurance through major changes in the federal tax code.[5] This could be done by replacing the current inefficient and inequitable employer-based tax breaks, particularly the tax break for employer-provided health insurance, with a national system of tax credits or vouchers for families to purchase health insurance and routine medical services.

Congress is debating the best way to increase the availability of affordable insurance to American families. By introducing market forces on a national scale, Congress could seize the opportunity to address the problems of America's uninsured through the FEHBP. In particular, Congress could allow the over 400 plans already competing in the FEHBP nationwide to cover Americans who have no insurance at all and empower these Americans with tax credits or vouchers to help them purchase much needed coverage, including catastrophic coverage, for themselves and their families.

By building upon the principles of consumer choice and market competition that characterizes its own health care system, Congress could help restore public confidence in itself and in its deliberations on this great public issue.

In any case, Congress should not develop one set of rules in health care reform that apply to itself while imposing another set of rules on the rest of America. If members of Congress have the right to make free choices about what kind of health care they will have for themselves and their families, at prices they are willing to pay in a competing market, they should not deny this same right to the rest of Americans and their families.

HOW MAJOR HEALTH CARE BILLS EXEMPT CONGRESS

There are many bills now before Congress that would reform America's health care system through government control or greater government regulation. While these bills profoundly would affect the health care services available to typical families, many of the bills would exempt members of Congress and other federal

3 Michael Schachner, "Health Care Costs Will Be Boiling Over Again in 1992," *Business Insurance*, December 16, 1991, cited in *Medical Benefits*, Vol. 9 No. 2 (January 30, 1992), p. 1.

4 "Increased Enrollee Benefits, Low Rate Increases, Highlight 1992 Federal Benefits Program Change," *OPM News*, September 15, 1991. For 1993, the benefits for members of Congress and federal employees are expected to be even greater.

5 For a detailed description of the Heritage proposal and its economic impact, see Butler, *op. cit.*, Part II.

employees from their main provisions, allowing them to continue to use the FEHBP system. These bills fall into two broad categories.

Category #1: "Play or Pay" Bills

Several leading House and Senate bills incorporate the play or pay approach to health care reform. Under this approach, employers would be required either to "play" by providing at least a minimum package of health benefits for employees and their families, or "pay" a new payroll tax to fund an expanded version of Medicaid or a new public insurance program for their employees and others not in a company-sponsored health plan. The key is how the payroll tax will affect the employer and his employees.[6]

Whatever the supposed merits of the play or pay approach, it would have significant, and in many cases unwelcome, effects on American workers. For example, when faced with a choice between paying an additional payroll tax or providing health benefits for their workers, many companies simply would pay the extra tax, thus dumping their workers out of their current plan and into the new public insurance plan. According to the Urban Institute, a Washington-based research organization, a new payroll tax of 7 percent would result in 51.7 million Americans covered under an employer-based plan being shifted onto the public plan. According to Urban Institute calculations, moreover, a payroll tax of 7 percent still would not cover the costs of a new public program. It would be in the red by $36.4 billion per year. To make up the shortfall, the payroll tax would have to be boosted further or additional taxes imposed on business. This would jeopardize the jobs of many Americans.

While play or pay legislation could have such serious implications for millions of Americans, such as being shifted involuntarily onto a public health care plan, special provisions in all the leading play or pay bills on Capitol Hill free Congressmen and other federal employees from such adverse effects. For example:

✍ **"The HealthAmerica Act" (S.1227),** sponsored by Senate Majority Leader Mitchell, requires employers, including state and local governments, either to provide insurance for their employees or to pay into a new public program, "Americare." The bill was reported out of the Senate Committee on Labor and Human Resources this January 22, and is the leading congressional health care reform proposal. The Americare program would replace Medicaid and cover all individuals not covered by private insurance. The bill introduces federal regulation for the insurance industry, which currently is regulated by the states, and specifies minimum benefit levels for both public and private plans. The bill also creates a new government agency, the Federal Health Expenditure Board, to set goals or annual target limits on total spending for health care services. Price ceilings for medical services would be negotiated by the

6 For an analysis of the "play or pay" approach, see Edmund F. Haislmaier, "The Mitchell HealthAmerica Act: A Bait and Switch for American Workers," Heritage Foundation *Issue Bulletin* No. 170, January 17, 1992.

Board and representatives of health care providers, such as doctors and hospitals.

How the Mitchell Bill Exempts Federal Workers: The definition of "employer" under Title II, Section 2713 (3)(ii) of the bill specifically states that the definition "does not include the Federal Government or a subdivision thereof." Meaning: S.1227 deliberately and explicitly exempts Congress, its employees and other federal employees, from the requirements that the bill inflicts on all other Americans and on state and local government.

✍ **"The Health Insurance Coverage and Cost Containment Act" (H.R. 3205),** introduced by Representative Rostenkowski, also establishes a play or pay system. Though similar to the Mitchell bill in most respects, the Rostenkowski bill raises additional funds through an income tax surcharge. And the bill gradually reduces the age eligibility for Medicare coverage from today's age 65 to age 60. This Medicare expansion is to be financed with payroll tax increases. The Rostenkowski bill also sets limits on overall national health care spending by the public and private sectors, as well as payments for doctors and hospitals.

How the Rostenkowski Bill Exempts Federal Workers: Title I, Section 101 of the bill amends the Internal Revenue Code to give Congressmen and other federal employees an exemption from the tax provisions of the bill if they are enrolled in the FEHBP. In addition, Title I, Part D "-Definitions and Miscellaneous," Section 2181 (a)(2)(C) of the bill amends the Social Security Act to exclude Congressmen and other federal employees enrolled in the FEHBP from the provisions governing "employment" as defined in the bill. Meaning: The Rostenkowski bill deliberately and explicitly exempts Congressmen and other federal employees from the impact of the legislation.

✍ **"The Pepper Commission Health Care Access and Reform Act" (H.R. 2535),** sponsored by Representative Waxman, also adopts a play or pay approach. Like the Mitchell legislation, the Waxman bill requires employers either to provide a minimum level of insurance for their employees or to pay towards a new public plan. Waxman's new public plan would be financed by employer and employee contributions, plus increased personal and corporate income taxes.

How the Waxman Bill Exempts Federal Workers: Title I, Section 101 of the bill amends the Social Security Act by creating a new Section 2181(a)(3)(A), governing the treatment of federal employment. This specifically states that the provisions of the bill governing employment do not apply if a person is "enrolled in a health benefits plan under Chapter 89 of Title 5, United States Code...." Title 5 is the federal law governing the FEHBP. Meaning: The Waxman bill deliberately and explicitly exempts Congressmen and other federal workers from the terms of the legislation.

✍ **"Pepper Commission Health Care Access and Reform Act" (S. 1177),** sponsored by Senator Rockefeller, also would establish a play or pay system. The legislation is much like the Waxman bill, except that it does not specify the source of funding for the new public plan.

How the Rockefeller Bill Exempts Federal Workers: Title I Section 101 of the bill amends the Social Security Act, so that the language governing the treatment of federal employment and the FEHBP is identical to that in the Waxman bill. Meaning: Like the Waxman bill, the Rockefeller bill deliberately and explicitly exempts Congressmen and other federal employees from the terms of the legislation.

✍ **"The US Health Program Act of 1991" (H.R. 3535),** sponsored by Representative Roybal, establishes a hybrid of play or pay and the single-payer system described below. Under the bill, private employers would be required to offer their employees health insurance coverage. The bill also would set up a public health care system to be known as "The U.S. Health Program" to replace Medicare and Medicaid, the two large public health care programs. Long-term care also would be covered. All current beneficiaries of these programs would be enrolled in the new program, as would any American who did not have employer-based health insurance coverage. The federal government, rather than the states, hence would regulate the private insurance industry. All health care spending would be limited to a specific share of the gross national product, and the new public program would be financed by a combination of new government premiums and payroll taxes.

How the Roybal Bill Exempts Federal Workers: Like the Waxman and Rockefeller bills, the Roybal bill amends the Social Security Act. Under a new Section 2181 concerning the treatment of federal employees, the bill states that the term "employment" "...shall not be considered to include service performed in the employ of the United States if, in connection with the performance of such service, the individual is enrolled in a health benefits plan under Chapter 89 of Title 5, United States Code...." Title 5 authorizes the Federal Employee Health Benefits Program for congressional and federal employees. Meaning: The Roybal bill deliberately and explicitly exempts Congressmen and other federal employees from the impact of the legislation.

Category #2: Single-Payer National Health Insurance Bills

Several bills before Congress would establish a "single-payer" national health insurance system. While these differ in details, their common feature is that the federal and state governments would become the principal buyer of medical services for Americans; they would become the "single payer." Government would allocate health care resources, set fees for doctors, and hospitals and finance care out of new taxes. Quality and cost control would be the responsibility of government, and would be enforced through a formidable regulatory regime of price con-

trols, government-established standards of medical care, and fixed (or "global") budgets for major health care providers. Such a system would be similar to Canada's.[7]

This system would be an even more radical change for most Americans than a play or pay proposal. Its fixed budget, for example, limits the supply of health care services. This would require the government to determine who gets care, under what circumstances they get care, and what care they are permitted to receive. There would be, of course, intense political competition for health care resources. In fact, an explicit attempt at such rationing by Oregon, for its Medicaid program, has led to intense and bitter political battles as patients and medical providers fight to ensure that their medical conditions or services are given a high ranking on the priority list set by the state government.

Of particular interest to members of Congress and the federal work force, a national health insurance system would have a dramatic impact on the character and availability of medical services in the Washington, D.C., metropolitan area. Writes *Washington Post* reporter Malcolm Gladwell, establishing a Canadian-style single-payer system means "Hospitals and doctors would act differently; certain operations would be impossible to get and certain technologies would be unavailable. Some people would pay substantially more for health care and some would not receive the medical attention they once took for granted."[8]

If the structure of the Canadian system were adopted, Gladwell estimates that in the Washington D.C. area there would be a sharp reduction in hospital capacity from 11,379 beds to 7,695; a reduction in the number of surgical teams that do coronary bypass operations from 11 to 3; and a major reduction in the availability of sophisticated medical technology.

While many members of Congress support a single-payer system for average Americans, the bills affect federal workers in different ways. But in stark contrast to all of the leading play or pay bills, most single-payer bills would abolish the FEHBP and include Congressmen and federal workers in a national health insurance system. Others merely would make changes in the FEHBP, while the fate of the FEHBP is not made clear in others. For example:

✍ **"The Comprehensive Health Care For All Americans Act" (H.R. 8),** sponsored by Representative Mary Rose Oakar, the Ohio Democrat, would establish universal coverage through a single-payer health insurance program operated at the state level. Under the Oakar bill, states may administer different health plans,

7 For an analysis of the Canadian health care system, see Edmund F. Haislmaier, "Problems in Paradise: Canadians Complain About Their Health Care System," Heritage Foundation *Backgrounder* No. 883, February 19, 1992, and Edmund F. Haislmaier, "Perception vs. Reality: Taking A Second Look at Canadian Health Care," Heritage Foundation *Backgrounder* No. 807, January 31, 1991.

8 Malcolm Gladwell, "Why Canada's Health Plan is No Remedy for America," *Washington Post*, March 22, 1992. As a point of comparison, Gladwell uses Ontario, an urban area roughly the same size as the Washington metropolitan area.

but all are required to meet certain federal minimum standards for health insurance benefits. This structure is much like the province-based Canadian system. The states would set their budgets for health care and the fee schedule for physicians. Each state would receive a financial contribution from the federal government to help finance the system.

What the Oakar Bill Does to Federal Workers: Division A, Title V, Section 502(b) of the Oakar bill declares that "No health benefits plan may be offered under Chapter 89...unless the plan is a qualified plan under this division." In straight English, the Oakar bill leaves the FEHBP intact for Congress and its employees, but all FEHBP plans would have to meet the minimum benefits standards outlined in the bill.

✍ **"The National Health Insurance Act" (H.R.16),** sponsored by Representative John Dingell, the Michigan Democrat, would establish a single-payer national health insurance program with a comprehensive set of health benefits. The bill establishes a federal board to administer the program. It would be financed by a national value-added tax(VAT).[9]

What the Dingell Bill Does to Federal Workers: The bill is silent on the FEHBP.

✍ **"The Medicare Universal Coverage Expansion Act of 1991" (H.R. 1777),** sponsored by Representative Sam Gibbons, the Florida Democrat, would expand the federal Medicare program to cover the entire U.S. population. Medicare's services would be increased and the additional cost of the program would be financed largely by increasing the Medicare payroll tax.

What the Gibbons Bill Does to Federal Workers: While the bill is silent on the FEHBP, federal workers presumably are included. The eligibility language is sweeping. It includes under its terms "every individual who is a citizen or national" of the United States.

✍ **"The Mediplan Health Care Act of 1991" (H.R. 650),** sponsored by Representative Fortney Stark, the California Democrat who chairs the Subcommittee on Health of the House Ways and Means Committee. This would extend the Medicare program to cover the U.S. population.

What the Stark Bill Does to Federal Workers: Title I of the Stark bill amends the Social Security Act to establish a new "Mediplan Health Benefits" program. Under Section 2164(2) of the amended Social Security Act, the FEHBP plans "shall not provide benefits for which payment may be made under this title (Mediplan)." Meaning: The FEHBP would be reduced to providing supplemental coverage similar to "medigap" insurance for the elderly today.

9 A value-added tax is similar to a national sales tax, although it is levied at each stage of production.

✍ **The "Health USA Act" (S.1446),** sponsored by Senator Robert Kerrey, the Nebraska Democrat, would establish a national system based on state-run, single-payer programs. While most single-payer systems leave no role for private insurance, the Kerrey bill does. Under it, households would enroll in either a state government-operated plan or in a private plan certified by the state government. Minimum benefit standards for both types of plans would be established by the federal government.

Each state would set its own total, or "global," budget for health care, and establish fee schedules for doctors and hospitals. These would apply to both public and private plans. The federal and state governments jointly would fund the bulk of services delivered by these state-sponsored systems. Most of the funds would be raised at the federal level. The federal share would be financed by increased personal and corporate income taxes, payroll taxes, and excise taxes.

What the Kerry Bill Does to Federal Workers: Title V, Section 502(a) of the Kerry bill repeals the FEHBP. The bill also establishes under Title IV, Section 401 a commission to make policy recommendations governing the transition of federal employees' and retirees' health insurance coverage under the FEHBP to coverage under the new national health insurance system.

✍ **"The Universal Health Care Act" (H.R. 1300),** sponsored by Representative Marty Russo, the Illinois Democrat, is the leading proposal to establish a single-payer national health insurance system on the Canadian model. The Russo bill would guarantee "universal access" to health care for every citizen. This bill would establish a national health care budget, a comprehensive range of benefits, and fixed fee schedules for doctors and hospitals. It also introduces a wide range of new taxes to pay for the new government health care program, including hikes in personal income taxes, corporate taxes, and employer payroll taxes as well as special premiums for financing of long-term care benefits.

What the Russo Bill Does to Federal Workers: All congressional and federal employees and retirees would be brought under the new national health insurance plan. Section 4 of H.R. 1300 specifically abolishes the Federal Employees Health Benefits System.[10]

✍ **"The Universal Health Care Act," (S. 2320),** sponsored by Senator Paul Wellstone, the Minnesota Democrat, is the Senate companion measure to the Russo bill. Like the Russo measure it would create a single-payer national health insurance system on the Canadian model.

What the Wellstone Bill Does to Federal Workers: Like the Russo measure, the Wellstone bill would bring Congress and federal workers under the new national program.

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10 Section 4 also abolishes Medicaid, the Veterans Administration health system and Champus, the health care plan for civilian dependents of military personnel.

However the merits and drawbacks of a single-payer Canadian-style national health insurance system are judged, the bills sponsored by Kerry, Russo and Wellstone have one attractive feature: they would treat a Congressman or a Senator just like any other American. Their bills at least would not create one system for Congress and another for the rest of America. Thus, in contrast to the leading play or pay bills, which create a dual standard—one rule for Congress and other federal workers and another for other Americans—these single-payer bills apply the sound public policy principle that what is good enough for the American people should be good enough for Congress.

DESIGNING A NEW HEALTH CARE SYSTEM

If members of Congress are serious about national health care reform, they should incorporate two fundamental principles in any new national system they create. These principles flow from the need—perhaps better understood by most lawmakers today than ever before—for Congressmen to treat themselves as they would treat other Americans, and from the experience of their own health care system.

Principle #1: Congress should impose no health plan on the American people that it is unwilling to impose directly on itself and all federal employees.

By routinely exempting themselves from such laws as those governing racial and sexual discrimination and by routinely abusing check-writing and many other privileges, members of Congress incur public anger. Still, while these congressional practices may irritate Americans, they do not usually affect Americans in a direct and personal fashion. Quite different are the laws and regulations governing health care. These have profound consequences for every American family. For members of Congress to exempt or insulate themselves, their employees, and other federal employees from laws that fundamentally would change the U.S. health care system would be a grave breach of public trust.

Principle #2: Create a new national system based on the mechanism of consumer choice, which characterizes the FEHBP system that is so popular with Congressmen.

Rather than quietly trying to keep the consumer-choice federal health care system just for themselves while imposing another system on other Americans, as leading supporters of play or pay would do, lawmakers should give ordinary Americans the same kind of system they enjoy.

An interim step toward achieving this principle would be to open the Federal Employees Health Benefits Program to the millions of Americans who lack health insurance. While debating how to apply consumer choice and competition throughout America's ailing health care system, Congress could quickly certify the approximately 400 plans now available in the FEHBP nationwide as eligible to enroll uninsured Americans.

This would involve two basic steps. First, the uninsured would be legally required to enroll in any one of the competing plans on the same basis as federal employees—including the right to join the plan without regard to medical condi-

tion — and would be permitted to do so at the same premium charged federal employees. Second, these families would be given vouchers or tax credits to assist them to pay for their new insurance coverage. George Bush has proposed a plan that would give up to $3,750 each year for low income, uninsured families to buy insurance, as well as tax benefits for other currently uninsured families who decide to purchase insurance.

With this reform, today's uninsured families would have access to good health insurance coverage—indeed, to the same coverage enjoyed by their representatives in Congress. As such, they would be able to choose from among several financially sound, federally certified plans.

A more comprehensive approach would be to introduce a national consumer choice system like that developed by The Heritage Foundation. This would allow all Americans to enjoy the advantages of consumer choice in health care, and remove the fear of losing benefits as a result of a job change.

Coverage for All Americans. In contrast to government-based insurance or mandatory employer-based health insurance, where government or corporate officials decide what benefits Americans receive, the Heritage Foundation Consumer Choice Health Plan would assure every American basic health insurance within the framework of free market competition and consumer choice.[11]

Under the Heritage proposal, the health coverage available to Americans, and the tax breaks for coverage, no longer would depend on their place of work. Consumer choice, meanwhile, would control cost the same way it does in the rest of the economy. The consumer choice system would be created by ending the multibillion dollar federal tax relief available only for employer-based health benefits and using the money to give American families federal tax credits or vouchers to help them buy health insurance or services.

Under the Consumer Choice Health Plan, every American family would be required to purchase at least a basic health insurance package of health benefits and would receive a financial tax credit or voucher to make the purchase affordable. This new tax relief or voucher would also be extended to individuals and families for payment of out-of-pocket medical expenses.

Empowering Consumers. The credit would be provided directly through the tax withholding system, or in the form of a voucher for the poor. The generosity of tax relief for a family would depend upon their health care costs compared with family income. By giving every American the same tax advantages, irrespective of place of employment, and empowering them with tax credits to purchase insurance, such a consumer-based system would enable Americans to seek the best value for their money when buying insurance and medical care.

If companies wanted to continue to provide health insurance, they could still deduct the cost of doing so from their taxable corporate income. But with equal tax treatment for all consumers for the purchase of all kinds of health insurance op-

11 See Butler, *op. cit.*, Part II.

tions, company plans would compete on an equal footing with different types of health insurance packages, from union-sponsored plans to managed care programs. By introducing consumer choice and stimulating such widespread competition, the Heritage Consumer Choice Plan offers Americans the chance to control costs within a budget-neutral framework of unprecedented portability of benefits.

CONCLUSION

Members of Congress too often exclude themselves and their staffs from legal or regulatory requirements they impose on all other Americans. These special privileges justifiably have led to mounting anger among taxpayers who must pay for congressional perks. Yet other privileges and exemptions do not have a direct and immediate impact on the lives and livelihood of most Americans.

National health care reform is different. Changes in the American health care system will affect the quality of life of every American family. Thus Americans likely would be especially angry if Congress were to impose a new health care system on ordinary Americans and then exempt itself from that system.

Time for Congress to Share. The reason that many lawmakers are including such an exemption in their health reform bills is that Congress already enjoys the features of a market-based health insurance reform. Rather than seeking to keep this system while introducing another system for other Americans—particularly one based on higher taxes, centralized planning, bureaucracy and rationing—Congress should give the American people an opportunity to have a health system like that enjoyed by Congress itself.

Double standards should not apply. What is good enough for the American people is good enough for members of Congress. Even better: What is good enough for Congress is good enough for the American people.

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