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Study: Bush Tax Credit Wouldn't Reduce Number of Uninsured

WASHINGTON 02/27/2004 (BestWire)-A new study by a nonpartisan health group has found that the Bush administration's tax-credit proposal for the uninsured isn't generous enough to fulfill its purpose: Reducing the number of uninsured.

A recent U.S. Census report shows that about 43 million Americans are without health insurance, a situation the agency attributed to a lagging economy and the associated reduction in employer-sponsored health coverage (BestWire, Sept. 30, 2003). President Bush proposed offering tax credits to the poor, who would have to buy health insurance individually. The cost of those tax credits is estimated at \$89 billion over 10 years.

But the Center for Studying Health System Change, which conducted the study and published it the week of Feb. 23 in the journal Health Affairs, reported that \$89 billion wouldn't make much of a dent.

"Because of nongroup policies' high cost and low benefits, nearly all (tax-credit recipients) would spend more--often much more--under a tax credit similar to that proposed by the Bush administration," the authors wrote. Also, when coupled with other research on low-income people and health insurance, "the results suggest that sizable reductions in the number of uninsured will require more generous tax credits than those in current proposals," the authors concluded.

The team of researchers looked at the amounts low-income uninsured people spend on health care and how much they would likely spend if they took advantage of the tax credits and purchased health insurance. The average premium would be \$2,820 a year, the study found, and a tax credit modeled after the Bush proposal would, on average, pay \$1,121 toward those costs, meaning that a person would have to pay \$1,699 out of pocket annually.

The Bush proposal would give a \$1,000 tax credit to individuals and \$1,000 per adult in a family and \$500 per child, to a maximum of \$3,000.

The study also looked at a hypothetical tax credit twice as generous as the Bush proposal: \$2,000 per adult, and as much as \$6,000 per family. Those results showed that the credit still wouldn't be enough to cover the average uninsured person's entire premium; it would pay \$2,384 out of that \$2,820 annual premium.

The researchers sampled 8,071 people, representing about 22 million Americans.

(By Chris Grier, Washington bureau manager, BestWeek: Chris.Grier@ambest.com)

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