



Representing Wayne State Faculty and Academic Staff

# NEWSBRIEFS

Office: 313-577-1750 Fax: 313-577-8159

aaupaft@wayne.edu

www.aaupaft.org

October, 2008

## Here's the Difference:

### Healthcare Proposals Represent Larger Distinction Between the Parties Free Market Mayhem vs. Managed Market Oversight

By Steve Babson, Information Coordinator

Day by day, it seems the hoops are coming off the barrel: stock market crash, bank failures, layoffs, foreclosures, budget cuts, war and resurgent terrorism.

Underlying all these headline disasters there's the daily anxiety about the cost of living, particularly the cost of living a little longer, of being able to afford healthcare for ourselves and our families.

*Here's a surprise that few of us would welcome: McCain's healthcare plan would immediately raise your taxes. Yes, raise them. Faculty and academic staff would pay more federal income tax the moment McCain's healthcare plan went into effect.*

#### Ideological Shell Game

This may come as a surprise given McCain's oft-repeated claim that he will cut taxes. Even if these cuts are overwhelmingly focused on the very rich, McCain has promised that at least some of these tax breaks will trickle down to the rest of us.

But when you look at the small print, it turns out that while he is cutting tax rates, especially for wealthier individuals and corporations, he will quietly increase the amount of your paycheck that is subject to that tax. And the main target of this sleight of hand is your healthcare benefits.

Currently, the collective bargaining agreement between the AAUP-AFT and the Administration provides a substantial subsidy for the cost of group healthcare insurance. The amount of the subsidy varies between 40 percent and 95 percent of the total cost depending on which plan you have

opted for, with the individual employee paying the balance. The university pays the subsidy as an expense and you receive the subsidized healthcare as a non-taxable benefit.

That would change under McCain's plan. He would have the amount of subsidy paid by the university counted as part of your taxable income, subject to federal income taxes. The amount withheld from your pay check would immediately go up.

Why would McCain favor this? He advertises his plan as one that calls for a tax credit of \$2,500 for individuals and \$5,000 for families to offset the cost of buying health insurance in the private market place. You would receive this tax credit at the end of the year, when you pay taxes.

If you think he may be taking with one hand what he gives out with the other, you would be correct. But it is important to keep in mind *which* hands he is taking it from and *who* he gives it to.

**INSIDE:**  
*Endorsement of  
Paul Massaron  
and  
Gary Pollard  
for WSU Board  
of Governors*  
page 4

con't on page 2

Like most free-market ideologues, McCain is opposed not only to government oversight of business, he also is opposed to group health insurance that can lower costs and pool risks across a large number of people. The problem for free market advocates is that governments and healthcare groups have more power than individuals, and they can potentially use that power to negotiate for lower premiums and better coverage.

One aim of McCain's plan is to make employer-paid healthcare plans such as ours less viable, pushing more people into the market place where private insurance companies have much more leverage over individual consumers.

Not only does he rob Peter to pay Paul, but by making employer-paid healthcare more expensive, more young and healthy people who don't see the immediate need for comprehensive coverage will likely opt out of the plan to seek the immediate benefit (and long term pain) of cheaper healthcare (or none at all). The group plan will be left with older and sicker folk, making the plan more costly and, over time, less comprehensive as administrators are forced to cut benefits.

The Economic Policy Institute estimates that by 2018, 20 million people will have either opted out of group plans for cheaper alternatives, or been forced out as employers drop plans that have been burdened with McCain's tax increases.<sup>1</sup>

### Market Mayhem

And here's the flip side of the coin: the tax credit McCain has tried to dazzle us with wouldn't go in your pocket—it would be sent directly to the company you buy insurance from. You would never see it.

That company, by the way, would also be released from whatever state regulations may

currently inhibit the worst practices in the industry, such as refusing health care coverage for pre-existing conditions. McCain has gone on record saying that he favors the same deregulation in healthcare insurance that "liberated" banks and mortgage lenders from oversight during the Bush administration. They would be allowed to sell insurance nationally from states with the weakest regulations.

He made these comments in *Contingencies*, the magazine of the American Academy of Actuaries, where he stated that he would open healthcare to "more vigorous nationwide competition, as we have done over the last decade in banking."<sup>2</sup>

***"Did we mention, by the way, that McCain wants to privatize Social Security and make your retirement more dependent on the stock market....?"***

He won't extol the virtues of deregulation *now*, of course, given the disastrous outcomes in banking. But there is no reason to believe he has changed his mind. His campaign manager, after all, owns the firm that lobbied for Freddie Mac until just weeks before it had to be bailed out by the government.<sup>3</sup>

### Market Management

Barack Obama's healthcare plan would also result in an increase in taxes, but not for most of us. He has pledged to cut taxes for 95 percent of the population and raise them only for those making more than \$250,000 a year.

The recent bailout of the banking industry may make this a difficult pledge to keep, but McCain's claim that he will reduce taxes across the board at the moment the government is shoveling our tax dollars into the hands of failed bankers is even less credible.

Obama's plan does not provide for universal healthcare, as many of us might prefer, and certainly does not promote "socialized medicine," as Fox News would have us believe. What he does propose is a reorientation in federal policy that moves us in the direction of a reformed market place and a greater range of affordable and comprehensive healthcare alternatives.

He would not, for one thing, attempt to drive employer-paid group health insurance out of business by taxing our benefits.

He would make available to those who are currently uninsured a range of options that are realistic and affordable over the long haul:

- **National Health Plan:** For those who are not covered by employer-based health insurance and do not qualify for Medicare or Medicaid, the Obama plan would establish a National Health Plan based on the current program for federal employees and open to all regardless of prior medical condition.
- **National Health Insurance Exchange:** For those wishing to buy private insurance, the Exchange would establish standards for qualified plans that insure accessibility for those with prior conditions, as well as fairness and affordability.
- **Expansion of Medicaid and the Childhood Health Insurance Program (CHIP):** These safety net programs would be expanded to insure that all families have access to health care regardless of income. (McCain has voted against such initiatives.)
- **Medicare Negotiates Lower Drug Costs:** Obama would end the current prohibition on Medicare using its market clout to negotiate lower drug costs, a prohibition which Bush and McCain want to continue.

### The Bottom Line

How much would these alternative plans cost and how would they impact the two most salient features of the current healthcare crisis: spiraling costs and the growing ranks of the uninsured (currently estimated at 46 million)?

*Newsweek* cites the estimated cost of Obama's plan at \$1.6 trillion over ten years and McCain's at \$1.3 trillion.<sup>4</sup> Obama would cover that cost by ending

the war in Iraq and taxing incomes over \$250,000; McCain would cover his plan by taxing the healthcare benefits of people currently on employer group plans.

The Economic Policy Institute reports that the best estimate of researchers from the non-partisan Tax Policy Center is that the Obama plan would cover 47 percent of the forecasted uninsured population while the McCain plan would cover 5 percent.<sup>5</sup> Among the several reasons for this disparity is the absence of any assistance in the McCain plan for low-income families who can't afford healthcare in the first place.

As for rising healthcare costs, the Obama plan offers the greater potential for breaking this inflationary spiral. Under his plan, Medicare could use its economic leverage to force drug costs down. Prudent regulation of private insurance through his proposed Exchange would limit the increases in premiums and co-pays that currently drive up costs. And by protecting employer-based group insurance and extending public programs to the needy, these broader forms of coverage will keep administrative costs to a minimum. Medicare's administrative costs, for example, are 3 percent of total costs, compared to the 12 percent level for most private insurers.<sup>6</sup>

Both candidates are reluctant to acknowledge that their healthcare plans will have to be postponed and pared back in response to the current economic disaster. The difference comes down to this: the free-market free-for-all got us into this mess, and it is only responsible government policy that can rein in the greed heads and get us back on track.

Did we mention, by the way, that McCain wants to privatize Social Security and make your retirement more dependent on the stock market....?

<sup>1</sup> <http://www.epi.org/content.cfm/pm126>

<sup>2</sup> <http://www.contingencies.org/>

<sup>3</sup> Jackie Calmes and David Kirkpatrick, "McCain Aide's Firm Was Paid by Freddie Mac," *New York Times*, 23 September 2008.

<sup>4</sup> <http://www.newsweek.com/id/162335>

<sup>5</sup> <http://www.epi.org/content.cfm/pm126>

<sup>6</sup> <http://www.nytimes.com/2008/10/06/opinion/06krugman.html?>

# Endorsement of Paul Massaron and Gary Pollard for WSU Board of Governors

By Charles J. Parrish, President

As you may know, Governor Paul Massaron is running on the Democratic Party slate for reelection to the Wayne State Board of Governors (BOG). The AAUP-AFT has endorsed Paul, as has our parent union, AFT Michigan.

Paul has been a very industrious member of the BOG for the last eight years, providing leadership to the Board and working on some of the most difficult policy areas, such as the current negotiations between the University and the Detroit Medical Center over the relationship between the DMC and the Wayne State School of Medicine. He has chaired the BOG and, most recently, has been the chair of the BOG Budget and Finance Committee. In both these roles he has been very effective. He deserves our support.

To learn more about Governor Massaron go to his web site at <http://www.paulmassaron.com/>. He has put together an excellent presentation, including a video on Wayne State University that is really first rate. You can support his campaign by sending a check to the "Committee to Elect Paul Massaron to the Wayne State Board of Governors," 23245 Hunters Lane, Southfield, Mi. 48033.

We and AFT Michigan are also endorsing Mr. Gary Pollard for the second seat on the Board. We have compared him to the nominees of the Republican Party and find him the better candidate. Mr. Pollard is a lifelong resident of Detroit and has served in Lansing as the chief of staff for Senator Irma Clark-Coleman. Mr. Pollard has been a Democratic Party Activist for many years and served on many boards in the Detroit area. As the Chief of Staff for Senator Clark-Coleman he has actively pushed for legislation that provides better protections for foster children, better regulation of variable annuities to protect investors, stronger measures to end discriminatory insurance ratings, and many other initiatives. You can review the issues he has worked on by going to Senator Clark-Coleman's web site: <http://www.senate.mi.gov/clarkcoleman/>.

## Wayne State University

### Chapter

#### AAUP-AFT

5057 Woodward Ave., Ste.

3301

Detroit, MI 48202-4050

#### AAUP-AFT Executive Board

##### *President*

Charles J. Parrish

##### *Vice President*

Naida Simon

##### *Secretary*

Susan LaLiberté

##### *Treasurer*

Gayle M. Hamilton

##### *Members-at-Large*

Jennifer Sheridan Moss

Dan Golodner

##### *Board Member*

Jose Rafols

##### *Contract Implementation*

Robert Arking - Faculty

Barbara Jones - Academic Staff

##### *Grievance Coordinator*

Anca Vlasopolos - Faculty

Lothar Spang - Academic

##### *Staff*

##### *Information Coordinator*

Steve Babson

##### *Academic Staff Chair*

Moira Fracassa

##### *Past President*

Marlyne Kilbey

##### *Executive Director*

Michelle Fecteau

##### *Office Manager*

Diisa Hejka

Go to our new website: [www.aaupaft.org](http://www.aaupaft.org) for an electronic copy of this newsletter.

