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Giuliani Health Proposal Seeks Individual Coverage

Candidate to Unveil Market-Based Plan Easier on Employers

By LAURA MECKLER and JOHN HARWOOD

WASHINGTON -- Former New York Mayor Rudy Giuliani, moving his presidential campaign beyond its signature issue of national security, is preparing to lay out a health-care plan that would mark a significant change in how health insurance is paid for in the U.S.

- **Giuliani's Plan:** The candidate suggests that millions of Americans be moved from employer-based health insurance to the individual market.
- **Votes in Mind:** The idea dovetails with conservative philosophy of individual empowerment but could prove difficult because insurance on the open market can be very expensive.
- **Coming Soon:** Mr. Giuliani will release a formal plan this summer.

Mr. Giuliani, currently leading opinion polls for the 2008 Republican nomination, wants to move tens of millions of people from employer-based health insurance to the individual market as a way of giving people more coverage choices. It is an idea he alluded to in Tuesday's Republican debate in Manchester, N.H., and later expanded on in an interview.

Mr. Giuliani, meanwhile, took a significant political step in announcing he wouldn't participate in August's straw poll of Iowa Republicans, a traditional test of candidates' strength before the January Iowa caucus that opens the nominating process. His campaign cited the high cost of organizing for the event. Arizona Sen. John McCain backed out in turn, with his campaign saying the straw poll wouldn't be meaningful without two leading candidates, Mr. Giuliani and potentially former Sen. Fred Thompson, who isn't officially in the race yet.


The plan, which Mr. Giuliani said he hopes to unveil in detail this summer, launches the health-care debate among Republican candidates and provides a contrast to the push for universal coverage aided by government subsidies emerging from the Democratic field.

The principles Mr. Giuliani identified for health care mirror President Bush's call for an "ownership society" in which the power of the free market could eventually shore up health and retirement security programs alike. That concept proved a political failure when Mr. Bush used it in 2005 to argue for partial privatization of Social Security. But in the campaign to woo Republican primary voters, it could provide Mr. Giuliani with an issue to appeal to economic conservatives at a time when some social conservatives have misgivings about his support for abortion rights and gun control.

In Mr. Giuliani's view, the U.S. health-care system's major problem is a lack of consumer choice. "It's your health; you should own your own insurance," he said in Tuesday's debate. "The reality is that we need a free market."

He envisions a system where neither state regulations nor federal tax law push people into expensive plans rich in benefits. Rather, health insurance should be more like car insurance, he said, where people pay out of pocket for minor repairs and maintenance.

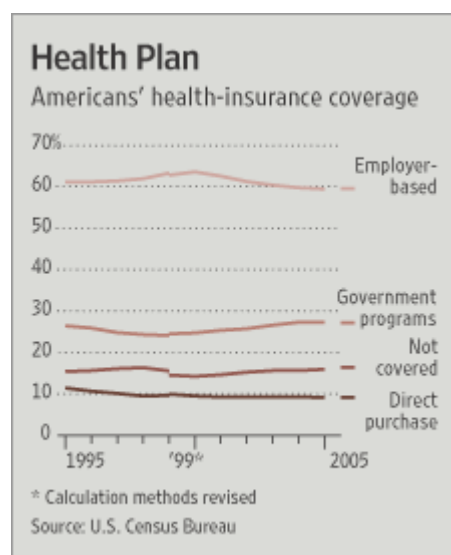
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It is a risky move: Most people don't want to see their insurance plans cover fewer services, and experts say that providing greater benefits encourages patients to see doctors before an illness progresses too far and is costlier to treat.

Today, most Americans -- 175 million -- get health coverage from an employer, a system decried by both liberals and conservatives, though they differ over what should replace it. Some large employers, too, have complained that the burden of rising health costs has fallen disproportionately on them. Still, states experimenting with health reform and Democratic presidential candidates have talked about building on the employer-based system, not replacing it.



Mr. Giuliani wouldn't scrap employer-based coverage. But in the interview, he said Washington needs a "paradigm shift" toward an individual insurance marketplace covering perhaps three times as many people as it does now.

About 17 million people buy insurance on the individual market now. Coverage costs are directly related to the buyer's age and health status, making it difficult for older, sicker people to find affordable coverage or, in some cases, any coverage at all.

Many health policy experts say the individual market will only work well if Americans are forced to buy insurance, thus injecting into the system younger, healthier people who are now uninsured and balancing out sicker, more expensive patients. That was the approach taken by Massachusetts under former Gov. Mitt Romney, one of Mr. Giuliani's rivals for the party nomination. Democratic candidate John Edwards has

called for a similar mandate for individuals buying insurance, and Sen. Hillary Rodham Clinton, also in the running, is expected to as well.

But Mr. Giuliani rejects a government mandate that all individuals purchase coverage. To do that, he said, the government would have to subsidize the bill for those who can't afford coverage, which would drive up the overall cost. In Massachusetts, the state is subsidizing coverage for poor and low-income families. For example, a family of three earning as much as \$51,510 a year could receive a subsidy.

More important, Mr. Giuliani says, is to give consumers more choice. He would supplant state regulations, which require that insurance companies offer benefits ranging from chiropractic care to fertility treatments. Instead, people across the country could buy insurance from any company in any state, meaning they could find cheaper, more basic plans than those now available in their particular state.

He also embraced Mr. Bush's proposal to give people a tax break to buy insurance regardless of whether they get it from an employer or elsewhere. As is, employees get insurance tax-free, but only if they participate in their employers' plans. Changing this could push people to the individual market where they would pick and choose among plans.

"What I would do is change the whole model that we have for health insurance in this country," Mr. Giuliani said. "The problem with our health insurance is it's government- and employer dominated. People don't make individual choices."

Giving people more choices may sound good, but public-opinion surveys show that most Americans prefer getting insurance from their employer to buying it on their own, said Robert Blendon, an expert on public opinion and health at the Harvard School of Public Health. "People think it's more convenient to have it through an employer and think that employers get a better deal," he said. He added that people who already have insurance are very nervous about anything that would change their coverage.

Still, he said, talking about insurance in this way turns the issue into one of values, which is effective, Dr. Blendon said. "It's using the power of individuals to take care of themselves."

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