



Yes, The GOP Does Have A Plan To Reform Health Care

By John C. Goodman

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No Republican member of Congress voted for ObamaCare, and they are all pledged to repeal it. Yet what would they do to solve the nation's health care problems?

The conventional view is that Republicans have no health plan of their own. They know what they are against, but they have nothing to be for.

This conventional view is wrong.

There is a Republican health plan. The only problem: Just as Democrats don't want to talk about ObamaCare, Republicans are just as afraid to talk about their plan.

Four years ago, John McCain proposed a radical change of the health care system — an overhaul more radical and more progressive than ObamaCare. The Republican presidential nominee's ideas were reflected in legislation sponsored by Sens. Tom Coburn, R-Okla. and Richard Burr, R-N.C., and by Reps. Paul Ryan, R-Wis., and Devin Nunes, R-Calif.

What makes this Republican approach so radical is that it would replace all government tax and spending subsidies for the purchase of private health insurance with a fixed-sum tax credit — essentially giving every American the same number of dollars to apply to their health insurance, regardless of where they obtain it.

Under the current system, federal state and local tax subsidies for private health insurance approach \$300 billion a year. The distribution of these dollars is arbitrary, unfair and wasteful.

How much help a family gets from government depends on such factors as its tax bracket, the type of health plan the employer chooses, and state and local tax rates.

The subsidies are also regressive. According to the Lewin Group, families earning \$100,000 a year get nearly six times as much tax relief as families earning \$25,000. We give the most encouragement to buy health insurance to those people who least need encouragement and who probably would have purchased it anyway.

In addition, people can always lower their taxes by spending more on health insurance, and there is no limit to how bloated a health plan can be.

Oddly enough, we place special burdens on people who must purchase their own insurance. Essentially, they must pay taxes first and bring the insurance with what's left over.

For a worker facing a 15.3% (FICA) payroll tax, a 25% income tax rate and a 5% state income tax, having to buy health insurance with after-tax dollars essentially doubles its cost.

Special burdens also are placed on part-time workers and the self-employed.

Consider that 1-in-5 workers are part time. Employers usually do not offer these workers health insurance. And federal law makes it difficult for employers to give them a choice between wages and health insurance.

The self-employed are now able to deduct health insurance costs on their income tax returns. Unlike other workers, they get no relief from the 15.3% payroll tax. For many, the payroll tax bite is larger than the income tax.

These problems can be solved with an approach that treats everyone alike, regardless of income or job status.

It should start with these basic ideas:

- The current system of tax and spending subsidies would be replaced by a tax credit of, say, \$2,500 per person or \$8,000 for a family of four for the purchase of health insurance.
- The subsidy would be refundable; everyone gets it even if he does not owe any income taxes.
- Families can obtain the subsidy in the year in which the insurance is purchased and would not have to wait until April 15 the following year to get their credit.
- Insurance companies and other intermediaries would be able to help families obtain their credit and apply it directly to the health insurance premiums.

As a result, people who must purchase their own insurance (including part-time workers and the self-employed) would get just as much tax relief as people who obtain insurance through an employer.

The tax credit would subsidize the core insurance that everyone should have. It would not subsidize all the bells and whistles, as the current system does.

Since employees and their employers would be paying for additional coverage with after-tax dollars, everyone would have an incentive to compare the value of extra health benefits to the value of other things money can buy.