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# Cato Institute: President's Math on Health Care Doesn't Work

Some Republican Offer Alternative Suggestions

By **Morgan Phelps**

What does the math say about the health care act in Congress at the moment? We've all heard the trillion dollar figure from the Congressional Budget Office. What if that number is actually much higher?

That's what Jagadeesh Gokhale and Kent Smetters of the Cato Institute say in an article posted on the organization's [website](#). According to Gokhale and Smetters the president's and the CBO's estimates fall severely short of the actual cost projections being offered. Gokhale and Smetters say that the accounting method used makes the number deceptively small. Since most of the program's cost will be implemented slowly over time until they end of the initial 10 year period, the actual cost doubles to \$2 trillion in three years (or by year 13 of the plan) according to Gokhale and Smetters. They also say that the plan has a \$13.6 trillion dollar shortfall when adjusted for inflation.

This enormous short fall according to - Gokhale and Smetters - is equal to roughly 1.6 percent of the entire future Gross Domestic Product or 3.5 percent of all payrolls subject to the Security Tax. They say that while the numbers sound manageable, but the president's math stops working at this point. His pledge to fund his initiative only on the backs of the rich doesn't pass muster.

Gokhale and Smetters say that in order for that to work taxes on families making \$200 thousand or more a year would have to be increased by 50 percent permanently. They say that would mean that a family with a \$50 thousand tax burden would see their costs increased by \$25 thousand dollars for a total burden of \$75 thousand annually.

Gokhale and Smetters say such an increase would be disastrous for people in so called "rich" class. Most people who earn more than \$200 thousand per year are two earner families or budding entrepreneurs. Such a tax according to Gokhale and Smetters actually reduces their capacity to continue earning such money.

They do say, "We cannot allow federal health-care subsidies — mainly Medicare and Medicaid — to continue to grow faster than inflation indefinitely." The question according to Gokhale and Smetters is how to fix what doesn't work.

Enter Kentucky Senatorial Candidate Dr. Rand Paul. If Dr. Paul's name sounds familiar it is because he is the son of Texas Republican Representative Dr. Ron Paul. The younger Dr. Paul was interviewed by TV/Radio personality Glenn Beck and had an interesting proposal. In that interview available [here](#) Paul says that he would support a tax credit for doctors to treat patients who are uninsured or underinsured. "...and all it takes is a little change in the tax code. About 5% of the patients I see are on Medicaid, which is for the poor. I would gladly take no money for seeing them if you just gave me a tax deduction," says Paul. Dr. Paul also said he'd like to encourage the private sector to establish a 20 year term health policy.

Dr. Paul says that one of his concerns about the current legislation being offered by the Administration and the Democrats is that it will end Health Savings Accounts. When talking about limits the bill places on choices he says "... I have a health savings account. It's about one of the few things that actually works pretty well in our health care economy. It's going to be illegal under the Obama plan, because it won't pass muster from the government bureaucrats."

Senator Jim DeMint of South Carolina has introduced S - 2477 (according to his [website](#)) which would allow people to shop across state lines for insurance. It would also end state mandates and allow people to purchase only the options they wish to purchase. He also introduced S - 2385 which would allow the uninsured who can't get coverage through their employers to get a 100 percent tax deduction for their health care premiums if they purchase it for themselves.

Sources:

1. Jagadeesh Gokhale and Kent Smetters of the Cato Institute's organization's [website](#)
2. Dr. Rand Paul on [Glenn Beck](#) on August 6, 2009
3. Senator Jim Demint (R - South Carolina) on his [website](#)

## Takeaways

☞ Cato Institute says the healthcare plan's costs will be even higher than predicted.

☞ Tax code proposed will hurt families and small businesses.

☞ Sen Jim Demint and Senatorial Candidate Rand Paul offer alternatives to the president's plan.

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