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the corner

Thursday, June 11, 2009

'If You Think Health Care is Expensive Now — Just Wait Until it's Free.'
[Veronique de Rugy]

Cato Institute's Chris Edwards has a new Tax and Budget Bulletin about how to pay for President Obama's \$1.5 trillion health-care plan. As it turns out, in spite of many promises not to increase taxes on the lower and middle classes, the administration won't have a choice. However, there are many ways to skin a cat, as Edwards demonstrates. The president could tax employer-provided health insurance, eliminating HSAs and FSAs, limit the deductibility of medical expenses, increase taxes on alcohol and beverages, or hike the already too high corporate taxes. Either way, the cat won't like it.

He adds:

Adding up the possible increases listed above to income taxes, payroll taxes, excise taxes, and corporate taxes would raise about \$700 billion over the next decade. But that large tax increase would be less than half of the \$1.5 trillion needed to fund the new health care spending being considered by the Democrats.

A further concern is that initial cost estimates of federal health programs are usually very optimistic.

And Edwards concludes:

In sum, expanding government health care will likely involve huge tax increases on the middle class. Aside from the tax options discussed above, there has also been talk of using revenues from a cap-and-trade global warming plan to fund health care. Obama's budget included an \$80 billion per year revenue increase for cap-and-trade, and economists calculate that the relative burden of such a plan would be far greater on lower-income than higher-income families. Thus, as Americans consider the current health care debate in Congress, they should

remember the words of humorist P.J. O'Rourke: "If you think health care is expensive now—just wait until it's free."

Read the whole thing [here](#).

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