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### Analysis: Who Pays for Health Care Reform?

**Senate Majority Leader Harry Reid (D-Nev) has conceded that the Senate will not pass a health care reform bill before the August Congressional recess. Meanwhile, House officials have not ruled out a special session that would spill over into the heart of Summer.**

**With no hope of compromise legislation in the coming weeks, all eyes shift to September 8 when Congress gets back in session. For those on both sides of the health care reform debate, the respite will provide a chance to scrutinize the House and Senate bills, which are currently being negotiated in committees.**

**Not surprisingly, the number one issue is cost. House leadership hopes to assure the American people, and their more moderate democratic colleagues, that new revenues and savings can cover what most experts say will be a \$1 trillion to \$1.5 trillion price tag over the next 10 years.**

**In a July 22 prime time news conference, President Obama proposed to limit itemized deductions for wealthier Americans, a move he said could raise substantial revenue. Elise Gould, PhD, director of health policy research for the Economic Policy Institute, says that large cost savings from more efficient health care delivery could also help cover the costs. “I also think the House bill has a pretty good solution, and that is to add a surcharge on people with high incomes,” said Gould from her Washington, DC office. “Above \$350,000 there is a certain percent that goes up from there that wealthier Americans would have to pay, and that would go a long way toward paying for health care reform.”**

**Michael D. Tanner, senior fellow at the CATO Institute, counters that the House surcharge would raise taxes to unacceptable levels. “We would have the highest marginal tax rates in the world, which would have a devastating impact on jobs and economic growth,” says Tanner, who heads domestic policy research from CATO’s Washington, DC-based headquarters. “In terms of the efficiencies—maybe, maybe not. We have talked for years about getting these efficiencies, and if they were easy to get, why don’t we just do them? The government already runs half the health care in this country with Medicare, Medicaid, and the VA. They could implement these efficiencies now, show us how it works, and then come back to us later. What they are really asking for is a leap in the dark.”**

**President Obama has made an unprecedented push in recent weeks to pass health care reform, a priority that he now hopes to realize in the Fall. Opposition from republicans and moderate “blue dog” democrats has largely focused on cost and the role of private insurance.**

**From Gould’s perspective, offering a plan that competes with private insurance has no downside and succeeds in giving Americans more options. “In the individual insurance market, and in the small group market, there is little to no competition, and that is one of the problems that has led to high costs for small businesses and individuals,” says Gould. “A public option would put a check on the problems with insurance businesses. It would be an option that does not have a profit motive, and an option that would foster health system reform. It is really a win-win. If people like it, it will grow. If people don’t like it, it won’t grow and it won’t be effective.”**

**Tanner contends that if government is allowed to compete with private insurance, it would not be a fair fight, and could even mean the end of private insurance. “The government-run plan would be**

**subsidized by the taxpayers, which means it would always be able to offer bigger benefits and lower premiums than a private insurance plan,” says Tanner. “If it loses a couple hundred billion dollars, so what. The taxpayers are on the hook for it. It would always undercut private insurers.”**

**The likely result, says Tanner, is that employers would have an incentive to “dump” their workers into the public plan. “At that point, private insurance really can’t exist except as a little program for the very wealthy,” says Tanner. “It would be the end of private insurance, and we would be in a single-payer system. Back during the campaign, President Obama said that if he were designing a program from scratch, he would love one like Canada, but he did not think we could get there overnight, and would have to evolve in that direction. I think this is the evolution.”**

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