Targeted Tax Hikes Would Raise Billions for Health Reforms

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Three studies released today by the Centers for Budget and Policy Priorities say that billions of dollars could be generated to help pay for healthcare reform by raising taxes on alcohol and high-sugar soft drinks, and rolling back or eliminating healthcare flexible spending accounts.

"Realistically it has to be a mix of spending reductions and revenue increases from a variety of sources," says Edwin Park, a senior fellow at CBPP. "One thing we've been concerned about as an organization is the various interests who're affected by all these spending and revenue proposals that will start saying 'Take this off the table and take that off the table, and do something else.' Definitely all of the items have to stay on the table if you are going to get to paying for health reform."

The CBPP studies did not have an estimate for the revenue that would be generated by the FSA rollback or elimination. However, Park says a penny-per-ounce tax on soft drinks laced with sugar or high-fructose corn syrup could raise $10 billion a year, while increasing the excise tax on alcohol could raise between $27 billion and $100 billion over 10 years.

Park says policy makers and politicians must also consider Medicare/Medicaid reforms, taxing employer-sponsored health plans, targeting health savings accounts, and capping itemized deductions to cover the cost of healthcare reform.

Kathleen Stoll, deputy executive director at Families USA, says her organization has adopted the same strategy of keeping every potential revenue source in play. "We do believe we need to generate revenues to pay for healthcare reforms," Stoll says. "We are trying to be open to keeping all paid-for possibilities on the table and under discussion. We aren't taking a position on any specific one, but we aren't opposing anything…

"Part of the debate is about whether the 'pay-fors' have to come from within the healthcare system itself or whether we can look beyond the healthcare system at other areas of the tax code that don't directly impact on healthcare delivery," Stoll says. "We think we have to look both within and outside the healthcare system."

Michael Cannon, director of health policy at the libertarian Cato Institute, says that for groups like Families USA and CBPP, the answer to the nation's healthcare crisis is to throw more money at it.

"Does anyone think it's peculiar that while the Left usually lectures us that America spends too much on healthcare, here they are trying to get us to spend even more," says Michael Cannon, director of health policy students at the Cato Institute.

"It's a flawed premise–that the problem with healthcare in America is we aren't spending enough," Cannon says. "If you want to make healthcare more affordable, you don't throw more money at it. You use every tool at your disposal to try to build efficiencies. We are doing that because we are allowing the political process to paralyze that effort."

Cannon says he's dead-set against raising taxes to pay for healthcare reform. But he says the political process would block any attempt to generate savings by reforming the healthcare system from within.

"If we are to come up with health insurance coverage for every last person in the United States just by finding savings in the healthcare sector, you've got to reduce the services that people get. That is rationing and Americans don't like that. You'd have to cut payments to providers. The providers aren't going to like that," he says.

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