< Back | Home

The wrong prescription for America.

Addison Reed discusses the recent health care legislation approved by the Senate Finance Committee.

By: Addison Reed

Posted: 10/15/09

Well folks, I'm on the health care warpath again.

I know, I know, we did an entire special edition detailing several different opinions and options that our government could pursue in its almost mythical quest for some kind of reform.

But that was then and this is now.

On Tuesday, the Senate Finance Committee approved what has been called a "bipartisan" health care reform bill to be sent to the Senate floor for formal debate.

They called it bipartisan because one Republican voted for it.

This latest legislation is believed to have the greatest likelihood (which probably isn't saying much) of making it through the Senate for House approval.

If it makes it through the House, which it probably won't as the bill does not contain the proverbial public option (which House Speaker Nancy Pelosi has said any bill passed by the House must have), then it would proceed to the White House for Comrade…err, President Obama's signature.

Now that the civics lesson is out of the way, we'll move on to a little bit about just why this particular plan is the wrong prescription for reform in America.

Let us begin with the most obvious part of the bill: the cost.

The Congressional Budget Office estimates the total cost of the bill at just over $829 billion for the next ten years. Aside from the fact that this astronomical number likely didn't exist until the invention of governments, what no one tells you is that this is only the estimated number of the plan going into action as is, that is to say, without any future addendums or changes.

Furthermore, the initial number doesn't even include the most expensive portions of the bill, which are scheduled to be implemented in 2013. The Cato Institute's Michael Tanner pegs the cost at closer to $1.3 trillion.

The vast majority of this money would come from one place: tax increases.

Tanner details that the fine print of the bill levies a 40% tax on all current private health insurance plans that offer individual benefits in excess of $8,000 and family benefits in excess of $21,000.

Naturally, insurance companies will be forced to pass on some of the costs of the new tax on to their consumers in the form of even higher premiums.

Combine that additional cost on top of the already huge rate at which premiums are increasing, AND THEN index the whole thing for inflation.

A note on inflation, while we're talking about it. Keep in mind that it's not just rising costs that will be driving premiums up.

Like I said earlier, when you index the total cost of premiums for inflation, it's not just going to affect people who already have premiums in excess of $8,000 or families with those in excess of $21,000.

Think about all of the Americans who have premiums below either of those numbers depending upon their circumstances.

Well, what happens when those people see their low premiums increase because of inflation and increased health costs?

They move up into the taxable bracket!

That's right, they didn't do a thing and now they're being taxed for circumstances totally outside of their control.

But wait, there's more!

Tanner also pegs the annual cost increase of the bill at 8%, but the tax revenue would grow at 10% to 15% annually.

Yes, that means that the government is taxing us more with this bill so it can spend elsewhere.

But here's the very best part. The bill also makes it mandatory for every American to purchase health insurance or face a fine from the IRS.

Yes, that does mean the government is forcing you to buy something even if you don't want to.

But even more important is what you realize if you combine everything together.

If you already have insurance in the taxable bracket, you'll see a huge tax hike as we've discussed. But if you don't, you're forced to buy insurance.

Then, because of inflation and rising costs that we've talked about earlier, you'll eventually see your shiny new insurance premium rise.

And what happens, if circumstances dictate, when the insurance you were forced to buy ends up at an $8,000 or $21,000 premium?

That's right, you get to pay more taxes!

Sure, maybe the mandatory insurance you buy may not ever go that high, but what this allows the government to do is basically tax and spend till the cows come home.

Plus, if the government chooses to finance any future project with money that the Federal Reserve simply prints out of nowhere, you'll see hyperinflation that will lead to even more government revenue due to the introduction of new consumers into the heath premium tax bracket.

That's a racket Al Capone would've been proud of.

Now what's more likely is that Americans will simply opt for less coverage (thus, decreased premiums) in an effort to keep themselves out of the new taxes.

This of course just confirms the truth that government intervention in heath care will only lower the quality.

Oh, and how many times have you heard congress and the president tell us that there won't be any changes to our current health care plan?

So there you have it, the final conclusion of the new health bill.

On the one hand, we'll either have a tax-and-spend bill and a 1930s Chicago mob racket. On the other hand, we'll be forced to accept substandard care.

All of a sudden that public option is looking good. But then again, maybe that's what they want us to think.
