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Michael F. Cannon: Senate health reform plan prescribes heavy tax dose

By Michael F. Cannon

The writer, of Washington, D.C., is director of health policy studies at the Cato Institute. He is co-author of "Healthy Competition: What's Holding Back Health Care and How to Free It."

Amid double-digit unemployment, a record \$1.6 trillion federal deficit and a national debt projected to double in 10 years, U.S. Sen. Ben Nelson, D-Neb., voted to bring to the floor of the Senate a health care overhaul with so many job-killing tax increases that it's hard to fit them all into one column. But let's give it a shot.

For starters, consider the \$500 billion in explicit tax increases.

One levy would take \$15 billion from sick patients with high out-of-pocket medical expenses, including elderly and low-income patients.

If you have a health savings account or flexible spending arrangement, there are taxes specific to those health plans, plus a third tax that would apply to all "consumer-directed" plans.

Another levy would tax medical devices, and another would tax prescription drugs. Those two taxes would increase health insurance premiums by about 1 percent, according to the nonpartisan Congressional Budget Office. There's another \$60 billion tax that would drive health premiums higher still.

If your premiums climb high enough, you'll become subject to a \$149 billion tax on those with high health insurance premiums. Yet many face high premiums simply because they have expensive medical needs, making this yet another tax on the sick.

The legislation would increase the Medicare tax on wages above \$200,000, yet divert the revenue toward new entitlement spending.

And lest any corner of the health care sector go untaxed, the bill would even impose a 5 percent tax on cosmetic surgeries.

Yet those are just the explicit tax increases. There are trillions of dollars in hidden tax increases, too.

Senate Democrats promise to fund half of their new entitlement with \$491 billion of Medicare cuts. Yet those promised cuts are merely a tax increase waiting to happen.

Congress frequently reneges on such promises. Want proof? At the very same time Congress is promising to cut future Medicare spending by \$491 billion, it is reneging on a past promise to cut Medicare's physician payments by \$210 billion. Even Medicare's chief actuary calls the (new) promised cuts "doubtful" and "unrealistic."

If history is any guide, Congress will scrape up that \$491 billion by raising taxes — or by increasing the deficit, which simply raises taxes on future generations.

Another hidden tax comes in the form of price controls that would increase premiums for young adults in order to subsidize their parents, even though the parents typically have higher incomes. The same price controls would increase premiums for people with healthy lifestyles to subsidize those who (for example) overeat or consume alcohol to excess.

Those price controls could even tax farmers to subsidize office workers. The bill would allow populous urban areas like Omaha to make all of Nebraska one single "rating area," which would increase premiums in rural areas to subsidize wealthier urban areas.

The bill's largest hidden tax, however, is a mandate that would force all Americans to purchase health insurance, whether they want it or not.

Here's why that mandate is a tax. When the government forces you to pay \$10,000 to the IRS, and then gives that money to a private insurance company — as this legislation would do — we rightly call that a tax.

If instead the government forced you or your employer to pay \$10,000 directly to a private insurance company — as this legislation also would do — the outcome would be the same. That makes the mandate a tax, even though that \$10,000 never passes through the federal Treasury.

Including the cost of that “mandate tax” reveals the actual cost of the legislation to be roughly \$2.5 trillion — more than double the official estimate.

The Senate health care bill would impose massive tax increases on Day One and keep increasing your taxes well into the future.

Sen. Nelson was one of the key lawmakers who brought this ticking tax bomb one step closer to reality. Let’s hope the ensuing Senate debate exposes why job-killing tax increases are the wrong prescription for health care reform — in this or any economy.

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