critical condition

THE HEALTH-CARE BLOG

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It's Not a Health Bill [Alan Reynolds]

The "reconciliation bill" is not a health bill but an *anti*-health bill. It relies heavily on price controls, taxes, and fines to punish doctors, hospitals, and innovative companies that produce prescription drugs and medical devices. If we treated farmers, food companies, and grocery stores the way Congress threatens to treat the health industries, would anybody expect food to become better or cheaper?

Furthermore, the 3.8 percent tax on both labor and investment income is not a "Medicare tax": It's a surtax on income that goes into the slush fund, not the Medicare trust.

And the bill could not possibly cost "only" $940 billion, unless it contained a sunset provision repealing the law after 2019.

In fact, new spending is negligible for four years. At that point the government would start luring 16 million more people into Medicaid's leaky gravy train, and start handing out subsidies to families earning up to $88,000. Spending then jumps from $54 billion in 2014 to $216 billion in 2019. That's just the beginning.

To be unduly optimistic (more so than the CBO), assume that the new entitlement schemes increased by only 7 percent a year. At that rate spending would double every ten years — to $432 billion a year in 2029, $864 billion a year in 2039, and more than $1.72 trillion in 2049.

Can anyone imagine that the new taxes and fines could possibly grow by 7 percent a year? On the contrary, most of the claimed revenues are either a timing fraud (treating $70 billion for long-term-care premiums as newly found treasure) or self-defeating. The hypothetical tax on Cadillac plans (suspiciously postponed until 2018), for example, is designed to discourage employers from offering such plans and employees from wanting them — that is, it's designed to yield less and less over time.

Moreover, the accumulating penalties on reporting joint incomes above $250,000 — a 39.6 percent tax, a 3.8 percent income surtax, a 0.9 percent Medicare surtax, and rapid phasing-out of deductions and exemptions — would greatly discourage any activity that would push income above $250,000. Most obviously, no sensible family whose income is normally below that pain threshold would be so foolish as to sell enough assets to let capital gains push them over the line.

If even half of the punitive tax plans are enacted, I plan to launch a "249 Club" whose members pledge never again to report more than $249,000.

— Alan Reynolds, NR's economics editor from 1972 to 1976, is a senior fellow with

the Cato Institute.

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