

# THE “DOCTORS’ PLAN” FOR SAVING AMERICA’S HEALTH CARE SYSTEM

## Executive Summary

February 16, 2009

- What if high quality, affordable health coverage was available to every person without intrusive State action, and with respect for the rights and dignity of each individual?
- What if no government or health insurance bureaucrat stood between doctor and patient when decisions have to be made concerning the patient’s life and wellbeing?
- What if the means existed right now to ensure not only full and democratic access to health care, but also to cover the cost of comprehensive, universal health insurance provided through the free market and with minimal State regulation?
- What if, instead of adding to the tax burden imposed on every man, woman, and child in America, there was a politically and financially feasible means for every American, including the poorest of the poor, to pay for universal health care insurance?

## What the Doctors’ Plan Addresses

**1) How do we cure America’s health care system?** The sheer magnitude and complexity of today’s crisis requires a holistic, not a piecemeal, solution. Temporary measures or expedients won’t save our ailing health care system. The patient is dying. The health system *and* the economic system supporting it need fundamental reforms to address the basic needs of all citizens in a just and economically viable way. The solution must restore, not sever, the sacred doctor-patient relationship. Finally, the solution must be one that keeps power spread democratically, not monopolistically concentrated in the State or a private elite.

**2) How do we pay for it?** First, through a sufficient level of tax exemptions and deferrals, this program would leave enough money in the hands of individuals and families so they can afford to purchase a high quality package of health coverage through the private sector. For those who cannot afford to purchase this coverage — even with generous personal exemptions — health care vouchers would be provided. Second, to cover the budgetary requirements of universal health care coverage, this program calls for tax reforms that would ensure that there is sufficient revenue to cover all costs, while creating a more simple and fair tax system to balance the Federal budget.

**3) How do we sustain it?** The health care system is part of a larger economic and social system. Thus we need to create a system that reduces the burden on the tax system to redistribute incomes, stimulates private sector growth (upon which the tax system depends for paying the costs of government and social programs) and creates widespread purchasing power among citizens so that they are freed from dependency on employers, government, or charity.

## The Basic Elements of This Proposal

- **Pooling of risk.** This plan employs a basic principle of insurance: Spread out risk by pooling the entire U.S. population in the entire annual cost of health care, to determine the *per capita* cost for every individual.
- **Health care coverage borne by the individual rather than the employer.** In this way when a person leaves an employer he or she would not lose coverage and would be able to keep the same health providers.

This would maintain “portability,” consistent quality of care, and a long-term doctor-patient relationship throughout a person’s lifetime. This proposal would provide to the individual the same kind of tax deduction for health coverage now received by employers.

- **Universal coverage with no exclusions.** No individual could be excluded from health care coverage because of prior medical conditions or inability to pay.
- **Allow every citizen an option to purchase from competing private health insurers a nationally standardized insurance package covering all health care-related expenses.**
- **As the only mandate, require that every citizen and family purchase (with tax-deductible dollars or supplemental vouchers) either catastrophic health coverage, or, for those with a minimum level of savings, self-insurance through a health savings account (HSA).**
- **Keep dollars for health care in the pockets of individuals and their families.** Allow citizens to choose and pay for their own health care providers, rather than taxing dollars for health care and putting the control over health services in the hands of government bureaucrats and health insurance administrators. This would be done through a generous personal exemption, deductions for health care and other essential needs, and deferrals to allow citizens to accumulate a viable estate of income-generating capital assets. For those individuals and families with insufficient income to purchase health coverage, provide vouchers.
- **Simplify today’s overly complex and unfair tax system by substituting a single rate tax on non-exempt personal incomes from *all* sources,** while 1) **paying from general revenues** all entitlements and other government spending at present levels, 2) **eliminating the payroll tax** on workers and employers, 3) making **dividend payouts deductible to corporations**, and 4) **balancing the budget**. Under the reforms proposed here, a “typical” family of two adults and two children would *pay no tax of any kind* until aggregate income exceeded **\$100,000** (\$30,000 of exempt incomes per adult and \$20,000 per dependent). Such a family would pay a single rate of approximately 48% when aggregate income exceeded \$100,000. The 48% rate would apply to all incomes — whether from wages, dividends, capital gains, etc. This is less than what dividend and capital gains income would be taxed currently under the “double (sometimes triple) tax” of up to 50% (35% corporate tax rate plus 15% on dividends and capital gains).

In contrast to the present system, a single tax covering incomes from dividends, interest, rents, and inflation-indexed capital gains would enable the over-burdened Medicare and Social Security systems to be funded out of general revenues. The single tax rate would drop significantly with a broadening of the tax base, as all citizens begin to receive substantial dividend incomes through their Capital Homestead accounts and as entitlements (constituting two-thirds of the current budget) can be radically reduced after keeping all current promises.

- **Enact a national Capital Homestead program to finance faster rates of “green growth” by enabling every citizen to purchase new capital assets with newly created, privately insured capital credit and money.** A citizen’s capital assets would be allowed to accumulate tax-free (up to \$1 million) in that citizen’s Capital Homestead Account, thus earning an independent second income for that citizen. The “new money and credit” would be generated using the discount powers of the Federal Reserve and would be administered through its local member banks. Capital homestead loans would be repaid with future savings and profits generated by the new assets themselves, and collateralized by capital credit insurance. Corporations would be encouraged to make full-dividend payouts, which would be tax-deductible to the enterprise (either for repaying capital acquisition loans or as taxable income to all shareholders), thus eliminating the double- and triple-tax on corporate profits. Capital homesteading for every citizen would thus provide a non-inflationary system for financing faster rates of private sector growth that will be broadly owned. It would provide a free market means to generate mass purchasing power needed to pay directly for universal health coverage and gradually reduce future entitlement costs, without increasing redistribution through the tax system.