

The “Doctors’ Plan” for Saving America’s Health Care System

Norman G. Kurland, Michael D. Greaney, Dawn K. Brohawn

© 2008 Center for Economic and Social Justice

Contents

Executive Summary	1
The Crisis.....	3
Principles and Goals of Health Care Reform	9
Limit the Medical Role of Government	13
Conclusion.....	15

The “Doctors’ Plan” for Saving America’s Health Care System

EXECUTIVE SUMMARY

July 8, 2008 (Amended for New Figures 09/11/08)

- 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 and deductions — 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.
- **Pay from general revenues all entitlements and other government spending at present levels, eliminate the payroll tax on workers and employers, make dividends deductible to corporations, and balance the budget by substituting a single rate tax on non-exempt personal incomes from all sources.** Under the proposed reforms, 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 wage, dividend, capital gains, and would thus be less than what is potentially paid now on many incomes of that magnitude as a result of the “double (sometimes triple) tax” on dividend and capital gains income: 50% (35% corporate rate plus 15% dividends and capital gains). In contrast to the present system, the wealthy would begin paying taxes on their incomes from dividends, interest, rents, and inflation-indexed capital gains, so that the over-burdened Medicare and Social Security systems would be funded out of general revenues. The tax rate would drop significantly as all citizens begin to receive substantial dividend incomes through their Capital

Homestead accounts, thus reducing or even eliminating the entitlements that constitute two-thirds of the current budget 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.

THE CRISIS

Throughout the nation there is a growing fear that America’s health care system is financially unsustainable. Forty-seven million Americans today are not covered by any form of health insurance or cannot afford quality health services. Meanwhile, health care costs continue to rise at faster rates than family incomes. As economic commentator Robert Samuelson recently observed:

“Health spending already totals more than \$2 trillion annually, about 16 per cent of national income (gross domestic product). By 2030 it could easily exceed 25%—one dollar out of four—projects the Congressional Budget Office. . . . Most Americans think that someone else will pay for their care.”¹

Only a small fraction of these projected cost increases will be due to the demographics of a rising aged population. Most of the future cost hikes will be tied to advancing health technologies and pharmaceuticals, and other anticipated costs of providing universal health care.

All of the candidates seeking to occupy the Oval Office in 2009 have elevated the health care issue to the top of America’s political agenda. None of the proposals being debated, however, address the systemic flaws underlying the crisis. All of the proposals reflect conventional economic thinking that will inevitably continue to increase the powers of the Federal government *vis-à-vis* the individual citizen.

This paper proposes a radical free enterprise alternative that would restore the soundness of the American health care system while reversing the tendency toward concentrated government power. It would decentralize economic power, in such a way that all Americans, including the poorest of the poor, could pay for their own high quality health care through universal health care insurance provided by the private sector.

With minimal government intervention, this new approach would lead to a restructuring of the Internal Revenue Code, Federal Reserve monetary and credit policies, and other basic economic institutions. This would be in ways that could provide universal health care, promote sustainable growth, and provide new private sector jobs and second incomes for all Americans through universal access to participation in private ownership of America's future capital formation. In the process of solving the health care crisis, the restructuring changes needed would also create a *genuine* "ownership society," lifting up "have-notes" without taking property rights away from "haves."

Rather than blindly following the conventional solutions that would increase levels of income or wealth redistribution, perhaps its time for America to return to its roots and founding ideal of universal access to ownership of productive assets as a fundamental human right. Solving the health care crisis could be the bridge to restoring America's status as a global exemplar for economic justice and economic democracy. Thus, a cure to America's health care system would also help cure other systemic ailments in our free enterprise system.

Needed: A Fundamental Systemic Reform

There is a growing sense that America's health care system is financially unsustainable and too many Americans are left out or cannot afford quality health services. But . . .

- What if every man, woman, and child in America could receive a minimum of \$7,000 of "interest-free" capital credit each year through a local bank to invest in America's growth and new technologies?
- What if every newborn citizen could accumulate tax-free by age 65 a "capital homestead" of \$460,000 that would pay an annual dividend income of almost \$50,000 to meet his or her retirement needs, plus nearly \$1,600,000 in after-tax dividend incomes before reaching age 65?
- What if this could be done without using any taxpayer dollars and without taking away anyone's wealth?

Impossible? We think it's entirely possible and completely feasible to go even further. Setting aside any doubts for a moment,

- What if a typical family of four paid no income, Social Security, Medicare, or *any other tax* levied on income or consumption until aggregate family income exceeded \$100,000?
- What would be the effect on America . . . on the *world*, if people from all parts of the political spectrum, and of any philosophy or belief system could unite on an issue as fundamental as universal health care?

- What if this could be done without intrusive State coercion, and with respect for the rights and dignity of each individual?
- What if the means existed right now to ensure not only full and democratic access to health care, but to cover the cost of comprehensive, universal health insurance through reliance on the free market and with minimal State regulation?
- What if no government or health insurance bureaucrat stood between you and your doctor when decisions had to be made on your life and wellbeing?
- 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 if there was a way to decrease the amount most people pay in taxes?
- Finally, what if there was a way to reduce the complexity of the tax code and its regulations down to something that an ordinarily intelligent person could understand?

The taxation philosophy, as well as specific estimates and rates of taxation, are explained in more detail in the Appendix, “Calculating the Single Rate Tax for a Balanced Budget with Increased Personal Exemption and Deductions.” Essential elements of the proposal are, using average amounts for a “typical” family:

- An increase in the maximum allowable “personal exemption” to \$20,000 each for a non-dependent taxpayer and his or her spouse and \$10,000 for each dependent of a taxpayer,
- A conditional personal exemption or deduction of up to \$7,000 per citizen per year to pay for \$6,000 in health insurance premiums and \$1,000 in out-of-pocket health costs for comprehensive health care coverage, an amount equivalent based on the *per capita* costs of all health-related expenses,
- Another conditional to the personal exemption or deduction of up to \$3,000 per citizen per year to cover the *per capita* costs of education, and
- An average “tax deferral” of \$10,000 per year, not to exceed \$1 million overall, for amounts for dividend-bearing shares or other savings put into a “Capital Homestead” or other tax-sheltered savings account.
- An aggregate of the above reforms that would leave free from all forms of Federal taxes the first \$30,000 in the average non-dependent taxpayer’s income, \$20,000 for the average dependent, for an annual tax-free income of \$100,000 for a family of four.

Definitions

These terms, “exemption,” “deduction,” and “tax deferral” have specific, legal meanings in the current United States Internal Revenue Code. An “exemption” means income that the government does not tax (assuming we find a substitute for the regressive payroll taxes paid by most Americans to support Social Security and Medicare benefits), regardless how a taxpayer spends it. A “deduction” means income that the government does not tax if the taxpayer spends it in a certain way. A “tax deferral” means income that will be taxed at a later date, in this case, when converted into consumption income or on the death of the taxpayer when the taxpayer’s heirs receive the inherited savings as a supplementary source of taxable income.

To make this highly technical proposal easier to understand, we will refer in general to all income reduced by exemptions, deductions, or deferrals as “income on which the taxpayer is not taxed,” or words to that effect. When we use the words “exemption,” “deduction,” or “tax deferral,” we will mean the definitions given above.

The Cost of Health Care in America

The cost of health care in the United States is a crisis approaching epic proportions. According to figures reported by the United States Department of Health and Human Services and analyzed in the Appendix, the annual *per capita* cost of health care in America is in the neighborhood of \$7,000 for every man, woman, and child in this country — a total of approximately \$2.1 trillion. Some alarmists are predicting massive increases of as much as 300% to 1,000% over the next decade.

Nearly 47 million Americans, approximately 15% of the total population, lack health insurance. If such individuals do not have private resources or qualify for private charity or public redistributive welfare, the only recourse for many of them in the event of a serious illness is to die — with the cost of funerals also beyond the means of many people.² Consequently, some people can afford neither to live nor die. A “hidden debt” in the form of \$74 trillion (approximately \$250,000 per man, woman, and child) is projected for the present value of the under-funding in Social Security and Medicare, according to reports from the Social Security and Medicare Trustees in early 2004. This has resulted from an entitlements package amounting to two-thirds of the total Federal budget.³ This is in addition to health care cost increases considered separately.

Government Spending is a Taxpayer Cost

Obviously, anyone looking to the Social Security and Medicare systems to take up the slack in other government entitlement programs is living in a fantasy world. A March 9, 2005 Associated Press article reporting on debates concerning getting the budget under control quoted David Walker, who recently retired as head of the General Accountability Office, as saying that this debt and other Federal deficits are unsustainable:

The partisan differences persisted despite sobering testimony from Comptroller General David Walker, the leadoff witness at the first Social Security hearing of the year at the House Ways and Means Committee.

While the program faces no immediate financial crisis, he told lawmakers, “time is working against us. The sooner you act, the less dramatic the changes that have to be made.”

Beyond that, he said Congress faces a larger challenge. Social Security, Medicare and Medicaid combined “represent an unsustainable burden on future generations,” said Walker, who heads the Government Accountability Office, a nonpartisan congressional agency.

“Absent meaningful changes to these programs, the nation will ultimately have to choose among persistent, escalating federal deficits, huge tax increases, and/or dramatic budget cuts.”⁴

In response to this grave concern, the interfaith Center for Economic and Social Justice (“CESJ”) developed its “Capital Homesteading” plan for comprehensive Federal tax, monetary and other badly-needed reforms⁵ needed to address the unsustainable flaws in Social Security, Medicare, Medicaid, Veterans Health, S-CHIP and other health-related and retirement programs.

The Magnitude of the Problem

To quantify the magnitude of the problem, CESJ has been using \$2 trillion as a rough estimate of the value of the annual “growth ring” of new capital formation in the United States, or approximately \$6,500 per man, woman, and child in America.⁶ This included new plant and equipment, new technologies, new rentable space and new infrastructure added each year in both the public and private sectors. The annual cost of medical care thus exceeds the annual investment in new capital that produces the goods and services that generate the income to pay for food, clothing, shelter, education — and medical care. As a recent article in the *Wall Street Journal* noted,

According to the Kaiser Family Foundation, 60% of businesses offered health benefits in 2005, down from 69% in 2000. Employer premiums for family coverage rose 81% since 2000 to \$11,480 annually.⁷

Obviously these figures can only approximate the magnitude of the cost of health care in the United States. They are based solely on reported government figures (many of them estimates to begin with), not on audited financial or population data.

These estimates do, however, allow us to grasp the magnitude of the problem. They highlight the fact that doing nothing, applying traditional solutions more intensely, or implementing universal health care through the private sector without a fundamental restructuring of the entire economic system is courting widespread disaster, a recipe for a political and financial meltdown. What is to be done?

A Blueprint for Reform

The first step is to have a viable framework for a solution. The Center for Economic and Social Justice (“CESJ”) promotes an approach called the “Just Third Way.”⁸ This is based on what we call the “Four Pillars of an Economically Just Society” —

- Restoration of Free and Open Markets for determining just prices, just wages and just profits,
- Limited Economic Role for the State,
- Restoration of the Rights to and of Private Property, and
- Universal access to direct ownership of the means of production, especially in private sector enterprises.

These “pillars” are more fully explained in *Capital Homesteading for Every Citizen*.⁹ The last-named “pillar” is ignored or tacitly and often erroneously rejected as requiring some form of “redistribution” by so many otherwise well-intentioned and serious commentators on the right.¹⁰ Paradoxically, it challenges the anti-property biases of the left and threatens the traditional adversarial wage system bargaining patterns between organized labor and corporate management, in which labor costs continue to rise with no increase in the productiveness of labor inputs. The last labor statesman to see this point over 40 years ago was the late Walter Reuther, who as head of the United Auto Workers, stated: “Profit sharing in the form of stock distributions to workers would help to democratize the ownership of America's vast corporate wealth. If workers had a definite assurance of equitable shares in the profits..., they would see less need to seek...increases in basic wages.”¹¹

Both “the right” and “the left,” however, assume a conflict between workers and owners. Rejection of or blindness to the need for every citizen to enjoy equality of access to the social means to acquire future ownership in the means of production provides a common ground on which both libertarians and socialists perpetuate class divisions.

Power and Property

Well-intentioned libertarians soft-peddle the monopolization of economic power under capitalism, and refuse either to recognize or address artificial barriers to universal access to the means of acquiring and possessing private property stakes in wealth-producing assets. Equally well-intentioned socialists highlight these barriers as reinforcing and perpetuating the ever-widening gap in income and economic power between the few who own and the many who do not own, thereby justifying an ever-growing citizen dependency on government with its endless array of tokenistic redistribution and job creation schemes.

The moral flaw in both libertarianism and socialism is that neither view equal access to the means of acquiring and possessing private property as a critical and just means for closing the wealth gap in an increasingly capital-intensive world. They do not, therefore, acknowledge

the need to lift systemic barriers to equal ownership opportunity and the financing of sustainable cost-saving health and other life-enhancing technologies. This proposal attempts to demonstrate that efficient delivery of universal quality health care should be based on universal access to affordable private sector health insurance, a minimal role for government and private sector intermediaries between physicians and patients, and maximum freedom of choice for every citizen to pay for and choose his or her own doctor, other health care providers, and health insurer.

The proposed reform of the health care system in the United States will in large measure depend on 1) a radical simplification of the Federal tax system to leave more disposable income in the hands of middle- and lower-income households, 2) health vouchers for the poor, and 3) monetary and tax reforms that enable every citizen, as a fundamental human right, to invest in and share profits associated with the multi-trillion dollar costs of financing the ever-advancing technologies needed by health care industry and the private sector generally over the next fifty years.

First, however, we need to look at some goals and principles of what we can reasonably expect in a reform of the health care delivery and insurance system.

PRINCIPLES AND GOALS OF HEALTH CARE REFORM

The principles and goals of our private sector, citizen-owned and -controlled alternative for universal health care are consistent with the four pillars of an economically just society and would:

- Preserve the Hippocratic Oath.
- Maximize *true* empowerment of physicians, patients, and other stakeholders of the health care system.
- Encourage physicians to lobby as “Doctors for Social Justice” to advance Capital Homesteading reforms to “heal the sick and unsustainable American economy.”
- Promote universal comprehensive health cost coverage by private insurance or voluntary self-pay options.
- Enact tax reforms to enable all individuals to pay for their own health care choices.
- Institute universal guaranteed access to health insurance coverage.
- Offer health care vouchers for low income individuals.
- Restructure, simplify and remove the ownership barriers in the Federal tax system.

- Eliminate complex tax filing requirements with a single-payer system, such as a clearinghouse for processing claims and billings linked to a low-cost arbitration system to settle disputed claims.
- Eliminate all payroll taxes on workers and employers.
- Balance the budget through a “single rate” tax on income from all sources above a generous poverty or subsistence level.
- Eliminate multiple taxes on corporate profits by making dividends deductible at the corporate level.
- Democratize access to financing the expansion and transfers of capital assets.
- Provide government funds for development of advanced health technologies, including date-based health records, with royalty-free licensing to private sector users.

Preserve the Hippocratic Oath

The Hippocratic Oath is an ancient statement of the basic tenets of the practice of Medicine. First and foremost among these tenets is that physicians swear to act only for the good of their patients. As this is the whole intent and purpose of the practice of Medicine, it is critical that this orientation pervade any reform of the health care system, not political or financial considerations.

Maximize Empowerment of Physicians, Patients, and Other Stakeholders

By “maximize *true* empowerment of physicians, patients, and other stakeholders of the health care system,” we mean restructuring the system so that a patient’s means or lack thereof do not determine the level of health care offered. Economic empowerment of individual physicians and patients will maximize personal responsibility of all stakeholders to make wise and voluntary choices.

Encourage Physicians to Lead in Lobbying for Capital Homesteading

So that all citizens can begin to earn more incomes to pay for their own health care needs, physicians need to take the lead in pushing for the necessary legislative changes in our tax and health care systems. Physicians are in a strategically critical position to lead, rally other Americans, and surface new political leaders to market the systemic changes outlined in this paper, including the enactment of a Capital Homestead Act to achieve a more just and free market economy where no citizen would be deprived on income grounds from receiving the highest quality of health care services.¹²

Promote Universal Health Care Cost Coverage

Physicians and other stakeholders must promote universal comprehensive health cost coverage by private insurance or voluntary self-pay options (“self insurance”) with guaranteed issuances of insurance for all applicants, regardless of their health conditions. To minimize the “free rider” problem for those not willing to pay for health insurance premiums or have too little in savings to cover extremely costly medical bills, the system would require all citizens, except for those who, like the Amish, conscientiously object to any insurance, to purchase relatively inexpensive catastrophic health care to cover a single problem costing over \$2,500 or annual costs exceeding \$5,000.

Enact Tax Reforms to Enable All Individuals to Pay for their Own Health Care Choices

Substitute for employer-provided and other third-party payments for health care coverage by enacting tax reforms that would enable all individuals to assume responsibility to pay for their own health care choices and to reduce the rising benefit costs for workers in giant corporations as well as small businesses, thus improving the competitiveness of American companies in national and global trade.

Offer Health Care Vouchers for Low Income Individuals

Provide low-income individuals with health vouchers based on their reported incomes to cover all or part of the premiums they pay to provide for comprehensive health care coverage and out-of-pocket health care expenses for themselves and their dependents.

Reform the Federal Tax System

Simplify and reform the Federal tax system in ways in which all citizens would cover their fair share of government costs by paying a single percentage of their income from all sources (above amounts left in their pockets to cover basic subsistence, shelter, voluntary comprehensive health care insurance or mandated catastrophic health insurance, educational costs and access to income-producing assets), with the rate set to balance future government budgets and gradually pay down decades of previous non-productive government debt.

Eliminate Complex Tax Filing Requirements

Enable all citizens, including the poor, to report their personal incomes from all sources subject to the single rate tax (salaries, wages, commissions, dividends, interest, inflation-indexed capital gains, bonuses, gambling winnings, gifts, inheritances, *etc.*) on a “post card” sized tax return, and to determine eligibility and amounts for health vouchers and other income supports for the poor.

Eliminate Payroll Taxes

Eliminate all payroll taxes on employers and workers for Social Security, Medicare and other entitlements in order to leave more consumption incomes in the pockets of all workers to meet their health care needs in a more just and participatory free market system. Keep all entitlement promises to workers who contributed to the current unsustainable pay-as-you-go

Medicare and Social Security Systems through revenues from the single rate of taxation on all consumption incomes above basic subsistence levels from all sources.

Institute a “Single Rate” Tax

The single tax rate would be calculated to balance the budget while sheltering from any Federal taxes incomes to meet every citizen's common domestic needs and charitable contributions.

Each non-dependent taxpayer and spouse could therefore insulate from taxes to meet his or her own subsistence needs up to the first \$30,000 of earnings (plus up to \$20,000 per dependent), consisting of a standard living exemption of \$20,000 per individual (\$10,000 per dependent), a maximum health care deduction of up to \$7,000, and a combined maximum household education deduction of \$3,000 per household member.

Beyond this front-end untaxed income, all other personal tax deductions, credits or other so-called “tax subsidies” would be eliminated, radically reducing the complexity of the Internal Revenue Code. In addition, to encourage personal savings for retirement, taxpayers would also be allowed to defer taxes on an average of \$10,000 annually, not to exceed an aggregate of \$1 million, per household member for income channeled to tax-sheltered health and education savings accounts and income-producing productive assets in Individual Retirement Accounts (IRAs), Employee Stock Ownership Plans (ESOPs), cooperatives and the proposed Capital Homestead Accounts (CHAs) and Community Investment Corporations (CICs).

For example, a family of four (two adults and two dependents) would (assuming each family member uses an annual average of \$10,000 to finance the acquisition of capital assets in a CHA¹³) pay a single Federal tax rate only on incomes from all sources above the **\$100,000** in “untaxed incomes,” plus an additional tax-deferred savings of up to \$40,000, for a total of \$140,000 in aggregate family income before paying income taxes, as described in the Appendix.

Institute Universal Access to Health Insurance Coverage

Providing a tax deduction of up to \$7,000 to cover health care costs of each household member would leave that amount of household income in the pockets of most taxpayers (with the poor qualifying for health vouchers) to enable every citizen above the poverty level to choose among three health care options:

(1) Conscientious objectors and those with over \$2 million in savings in an approved personal savings account could choose to self-insure,

(2) Those with more limited savings could purchase a nationally mandated standardized catastrophic health insurance policy to cover single illness charges over \$2,500 or annual costs over \$5,000, and self-insure for any additional out-of-pocket health care needs, or

(3) Most citizens could choose to pay premiums of about \$6,000 annually, plus \$1,000 deductibles to enroll in a nationally standardized comprehensive health insurance policy, with

freedom to choose a high deductible policy not to exceed the citizen's savings in a Health Savings Account (HSA), Individual Retirement Account (IRA), Capital Homestead Account (CHA), or in any other approved savings vehicle.

Democratize Access to Financing the Expansion and Transfers of Productive Capital.

To grow the private sector economy in ways that enable workers to supplement their labor incomes with increasing capital incomes, the proposed tax and monetary reforms would democratize the process of creating money and allocating productive (*i.e.*, self-liquidating or procreative) credit to provide more equitable access for all citizens to acquire, receive property incomes and participate as owners of productive capital assets, including technologies and facilities needed for supplying quality health services.

Access to leveraged self-liquidating financing to purchase productive capital assets in well-managed enterprises is common in the business world. Based on the historically sound assumption that productive capital is expected to pay for itself from future profits, the Federal Reserve System should activate the Section 13 discount powers of regional Federal Reserve Banks to create interest-free, asset-backed “new money” to enable local banks to make self-liquidating, non-recourse, privately-insured loans to personal Capital Homestead Accounts (CHAs), Community Investment Corporations (CICs), ESOPs and cooperatives.

Such low-cost financing would enable doctors, other health care providers and citizens generally to invest in, among other income-generating investments, newly established mutually- or cooperatively-owned comprehensive health care insurance companies and in the growing technology and facility needs of doctors, hospitals and others in the private sector health care industry.

Make Dividends Tax Deductible at the Corporate Level

Like leveraged ESOPs, dividends and profit distributions to CHAs and CICs would be tax-deductible at the enterprise level (a socially positive incentive for avoiding corporate income taxes) but tax-deferred at the individual level for repaying capital acquisition loans to CHAs and CICs. Default risks for self-liquidating capital credit would be covered by private risk insurers.

The policy would also reduce the private sector's dependency on “old money” and existing accumulations for financing growth and assets transfers in the private sector, yet leave America's most wealthy Americans free to invest their savings in high-risk ventures, new health technologies, capital credit default insurance reserves and in other socially positive purposes.

Most important, it would also begin systematically to close the wealth gap between the top 1% of wealth-holders and the bottom 90% of low- and middle-income Americans, without violating property rights of wealth-holders of current assets.

LIMIT THE MEDICAL ROLE OF GOVERNMENT

Most health care professionals agree that the traditional physician/patient relationship has suffered greatly with the “industrialization” of medicine and the intrusion of power-concentrating private and public sector monopolies. Our proposed reforms will, we believe, restore and strengthen this relationship both in traditional ways and by linking the maintenance of life (health care) to that of at least two other fundamental natural rights, those of liberty (politics) and private property (economics). To do this we propose to:

- Reduce the role of the State in the delivery of health services.
- Avoid monopolies in planning, controlling, insuring and delivering health care.
- Foster competition for increasing choice, quality and efficiency for health consumers.
- Establish minimum national standards for comprehensive health insurance.
- Fund research and development projects for new health technologies and reduction of health costs.
- Make health insurance nationally available to all.
- Promote self-regulation of providers and health insurance.

Reduce the Role of the State in the Delivery of Health Services

Keep government controls, regulations, and taxpayer costs down to an irreducible minimum, while encouraging direct empowerment, participation, and responsibility for health care decisions in the hands of physicians, patients, and other stakeholders.

Avoid Monopolies in Planning, Controlling, Insuring and Delivering Health Care

Avoid top-down, centrally-planned “command and control” medicine by government, the insurance industry and health care delivery systems. Centrally controlled systems and monopolies are the *problem*, not the *solution*.

Foster Competition for Increasing Choice, Quality, and Efficiency for Health Consumers

Maximize efficiency and reduce bureaucratic red tape and costs in the operation of all health care delivery and in the means for paying for all health care costs.

Establish Minimum National Standards for Comprehensive Health Insurance

Bring together representatives of stakeholder groups to establish minimum national standards for “comprehensive health care insurance,” with premiums, deductibles, co-payments not to exceed the *per capita* amount of the health care tax exemption available to each citizen from birth to death.

Make Health Insurance Nationally Available to All

Make health insurance available from a national market with minimum federal regulation in setting levels of reserves, disclosure and accountability standards and coverage and to maximize competitive market rates for health insurance premiums.

CONCLUSION

In summation, a reformed health care system is an integral part of a much larger plan to restructure basic institutions like the tax, money and credit, and capital ownership systems in conformity with sound principles that blend efficiency with maximum justice for all. There should be a pooling of all health care risks. Premium costs should absorb malpractice insurance (as they do indirectly at present). The system would be competitive in order to maximize the choices of the citizens, with minimum national standards set to maximize delivery of quality services in all aspects of the health care delivery system. This will meet the desire for a comprehensive health care system, but also minimize the intrusion of private and public sector monopolies in our lives and personal choices.

Endnotes

¹ Robert J. Samuelson, “Rx for Health Care: Pain.” *The Washington Post*, December 6, 2007, p. A29.

² According to a 1999 survey of funeral directors throughout the United States, the minimum cost for a typical funeral was \$7,128.16. <http://www.fool.com/foolu/askfoolu/2002/askfoolu020305.htm>. One funeral home web site in Mississippi gave \$6,000 as the average cost. <http://www.sevenoaksfuneralhome.com/faq.html>. The Federal Trade Commission states that this is for minimum services and does not include items such as a plot, flowers, hearse, interment fees, and so on, so that the actual average cost of a typical funeral is “well over \$10,000.” <http://www.ftc.gov/bcp/online/pubs/services/funeral.shtm>.

³ “\$74 Trillion = Crisis”, by Thomas R. Saving, *The Wall Street Journal*, March 9, 2005, p. A2. Mr. Saving, senior director at the National Center for Policy Analysis, is director of the Private Enterprise Research Center at Texas A&M University. See also:

<http://dyn.politico.com/printstory.cfm?uuid=D63F5A03-3048-5C12-002D01717879776B;>

[http://money.cnn.com/magazines/fortune/fortune_archive/2004/08/23/379387/index.htm;](http://money.cnn.com/magazines/fortune/fortune_archive/2004/08/23/379387/index.htm)

<http://www.abcnews.go.com/Politics/TheNote/story?id=565567>

⁴ <http://www.signonsandiego.com/news/nation/20050309-1443-socialsecurity.html>

⁵ Described in detail in *Capital Homesteading for Every Citizen: A Just Free Market Solution for Saving Social Security*, Washington, DC: Economic Justice Media, 2004, which should be read as an orientation manual for this paper, as well as a source for specific details. A free download of this book is available at www.cesj.org.

⁶ *Ibid.*, pp. 44, 106. These figures are based on the 2001 *Economic Report to the President*, and have, in all likelihood, increased since, if only because of inflation and energy cost increases. The lower figure is used in order to be as conservative as possible.

⁷ “Employers Turn To Alternative For Insurance Staff,” *Wall Street Journal*, July 30, 2007, p. A-1.

⁸ <http://www.cesj.org/thirdway/elements.htm>.

⁹ *Op. cit.*

¹⁰ The principle of “distribution” under capital homesteading involves distributing economic opportunity and economic power more equally and justly (*i.e.*, removing artificial barriers to achieve equality of future access to economic participation). As such, it rejects all conflict-prone uses of government power to redistribute the property or incomes of others to try and achieve an equality of results.

¹¹ Testimony of February 20, 1967 before the Joint Economic Committee of Congress.

¹² In November 2007, Doctors for Social Justice was formed by Dr. Steven White, M.D., former President of the Catholic Medical Association, to promote a universal health care system through Capital Homesteading.

¹³ This assumption is explained and calculated in the Appendix.