

PAYING FOR UNIVERSAL HEALTHCARE: A NEW PARADIGM

Summary

- What if high quality, affordable healthcare could be made 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 had 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 healthcare, 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, or redistributing existing wealth, there were a politically and financially feasible means for every American, including the poorest of the poor, to pay for universal healthcare insurance?

Three Critical Questions

1) How do we save America's healthcare 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 healthcare system. 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 — healthcare vouchers would be provided, supplemented by private charity. Second, to cover the budgetary requirements of universal healthcare 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 healthcare 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.

By enacting a **new economic agenda of "Capital Homesteading for every citizen,"** we could finance faster rates of "green growth" by enabling every citizen to purchase new capital assets with newly created, privately insured capital credit and asset-backed money. A citizen's capital assets would be allowed to accumulate tax-deferred (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 Basic Elements of This Proposal

- **Pooling of risk.** This plan employs a basic principle of insurance: Spread out risk by pooling three to five age-designated risk pools in the U.S. population in the annual cost of healthcare for that age category, to determine the *per capita* cost for every individual in that age group.
- **Healthcare 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. It would also solve the problem of penalizing employers who are ethically unable to comply with demands to fund certain practices.
- **Universal coverage with no exclusions.** No individual could be excluded from healthcare 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 healthcare-related expenses, with policies available for three to five age categories. For those individuals and families with insufficient income to purchase health coverage, provide vouchers.
- **To eliminate all mandates,** permit any citizen or family to 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), and allow for garnishment of Capital Homestead earnings above a reasonable amount for living expenses to eliminate the “free rider” problem.
- **Keep dollars for healthcare in the pockets of individuals and their families.** Allow citizens to choose and pay for their own healthcare providers, rather than taxing income for healthcare 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 (covering health insurance costs and other essential needs), and deferrals to allow citizens to accumulate a viable estate of income-generating capital assets.
- **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 an estimated single rate of approximately 48% over every dollar earned when aggregate income exceeded \$100,000. The estimated 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 and other Federal entitlements 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.

(See full proposal, “Affording Universal Healthcare: A Private Sector Alternative to Mandates,” Center for Economic and Social Justice, July 2012: <https://www.cesj.org/wp-content/uploads/2014/02/C-HealthcareFULL12-0712.pdf>.)