

Economic Prospect *Medicare for All*

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Medicare For All: The promise of *Medicare for All* is simple. Everything Medicare pays for now (doctors and hospitals) plus this new proposal includes dental, vision and mental health...and rest home care.

Paying for it is complex. Currently you pay a Medicare tax that's combined with your Social Security tax on your pay stub. That comes to about \$60,000 (inflation adjusted) over your entire career. When you are on Medicare you pay \$1600 annually, plus a small deductible and a copay. If you are paying for supplemental insurance the cost is roughly \$1,200/year. Let's round that to \$3,000 per year.

So is Medicare for All going to bill everyone \$60,000 plus \$3,000 annually? No way. Where will the money come from? The rich. Even if the rich are good for \$500 billion, the cost is estimated to be between \$2.5 and \$3.2 trillion per year. The other \$2 trillion will be added to taxes of the middle class.

That's the cost of free *Medicare for All*. We could be like Denmark where the tax rate climbs to 60% when your income reaches 120% of the median. That median is about \$60,000 in the U.S.

The 100 co-sponsors of *Medicare for All* are confident that savings on drugs, efficiencies (no profits) and paying doctors and hospitals less will be really help offset the costs. See, it works!

But is it Medicare? Not really. Rather than pay per service, there will be annual amounts paid to all providers from doctors to nursing homes. That's called capitation. If your hospital is paid for each service they will want to bill a lot, so you will get lots of their services. If, however, they have already been paid a fee for the year, you are a nuisance. The less care you get the better from their new incentive. But wouldn't *Medicare for All* require good outcomes? Oddly, the bill expressly forbids it.

Want to stay on your company's plan? Sorry, those will be illegal. Want to buy temporary insurance for a year? Sorry, that's (almost) illegal now under Obama Care. (WSJ May 2, 2019 A17).

As P.J. O'Rourke said, "If you think health care is expensive now, wait till its' free."

Piketty on How to Lower the National Debt: Piketty is famous for his best-selling book that said that the return on capital is much higher than the growth of wages so that the gap between rich stock/capital owners and workers will only increase over time; the rich get richer. (Piketty. Global Inequality Report 2018)

Piketty sees four ways to really reduce the debts of the nations in Europe and the United States. He offers the odd idea of repudiating (or defaulting and walking away) as an option. A second way is substantial inflation. Want to cut your debt in half? Double all prices (100% inflation). This is as bad a repudiating the debt, but it has been used more often. We will all wish we had held gold.

How about selling all public assets like public universities, the national parks, and government office buildings? Great, but then what?

The official best way is to control expenses and to raise tax revenue. This is what the World Bank imposes on nations like Greece and Italy. Nobody likes austerity though it works to live responsibly.

How about a one-time tax on all private wealth? Finally, and in harmony with Piketty's other ideas, he suggests a one-time tax on private capital including your stocks plus corporate property, machinery, and assets. This could be used to wipe out every national debt, and we can start fresh. So, imagine handing over about a third of your retirement portfolio even if it's held by your company.

Here's why he thinks we should all cheer. In addition to wiping out debt this onetime tax will really reduce wealth inequality. I'm skeptical. Governments would just run up debt again through renewed deficit spending, and we'd be back in big debt again soon *and* a third of wealth would be gone.

In the Green New Deal nuclear power is not included in the recommendations. That means that the plan is to rely entirely on renewable energy and on the incentives to get us to quit using power. And why is nuclear power off the table? Lead time and cost are factors, but so are fear and superstition. A real solution that excludes nuclear power is a step backwards as Europe has used nuclear power for decades.