

# Forbes

## Paul Ryan, in a Major Speech, Proposes Universal Health Coverage via Tax Credits

By Avik Roy

September 28<sup>th</sup>, 2011

Yesterday, House Budget Committee Chairman Paul Ryan (R., Wisc.) gave a major speech on health reform at the Hoover Institution in Stanford, California. Ryan spoke, of course, of his “Path to Prosperity” plan for Medicare and Medicaid reform. But he also took time to take on America’s third health-care entitlement: the \$300 billion-a-year tax subsidy for employer-sponsored health insurance, reform of which provides the opportunity for a market-oriented approach to universal coverage.

“Beyond [Medicare and Medicaid],” said Ryan, “our current tax code provides additional fuel for runaway health care inflation. Under current law, employer-sponsored health insurance plans are entirely exempt from taxation, regardless of how much an individual contributes to their policy. This tilts the compensation scale toward benefits, which are tax-free, and away from higher wages, which are taxable. It also provides ways for high-income earners to artificially reduce their tax-able income by purchasing high-cost health coverage – which in turn can fuel the overuse of health services... These structural flaws push affordable coverage out of reach for millions of Americans.”

### **The free-market approach to universal coverage**

Ryan proposed a variation of John Goodman and Mark Pauly’s proposal to provide universal coverage through a refundable tax credit: “Patient-centered reform means replacing the inefficient tax treatment of employer-provided health care with a portable, refundable tax credit that you can take with you from job to job, allowing you to hang onto your insurance even during those tough times when a job might be hard to find.”

Portable health insurance also solves the pre-existing condition problem that is an artifact of our employer-sponsored system. “Instead of top-down price controls imposed by 15 bureaucrats at IPAB, let’s try bottom-up competition driven by 300 million consumers.”

### **The defeat of “Mediscare”**

Ryan also took note, as I have, of Mark Amodei's victory in a Congressional special election in Nevada, a campaign that was dominated by an explicit effort to tar Amodei's support of Ryan's Medicare reforms:

In the first special election that took place after our budget passed, we learned a costly lesson. We learned that unless we back up our ideas with courage, and defend them in the face of attacks, we will lose.

But once we learned that lesson and started to get our message out...well, a funny thing happened: People listened. They learned that our plan did not affect those in or near retirement; that it guaranteed coverage options like the ones members of Congress enjoy; and that choice and competition would drive costs down and quality up. They also learned more about the Democrats' plans for Medicare, and they didn't like what they heard.

And the scare tactics stopped working.

Look at what just happened earlier this month in the recent special elections next door in Nevada and out in New York. The Democrats threw every scare tactic they could think of at the Republican candidates running in two special elections for vacant House seats. But the attacks failed to connect with voters hungry for solutions. The Republican candidates prevailed...

We should not fear false attacks again in 2012...The moment calls for leaders who are not afraid to be honest with people about how they would solve the problems we face. In health care, we owe the American people a defining choice, and that choice is: Who is in charge: The government or the patient?

This is the key point: Democrats and Republicans are both seeking to reduce Medicare spending, by similar amounts. The difference is not one of dollars, but of methodology. The Democratic approach involves strengthening Obamacare's Independent Payment Advisory Board, which seeks to empower 15 government officials to make coverage decisions. The Republican approach involves letting individuals decide what kinds of insurance benefits they want. There are intellectually valid arguments for both approaches, but it's clear which one will be more popular.

### **Why are Republicans afraid to use the phrase "universal coverage"?**

One thing that's interesting about Paul Ryan's speech—and it's been true of every similar Republican speech on the topic—is that the words "universal coverage" are never uttered. Former CBO Douglas Holtz-Eakin, another proponent of the tax-credit approach, also takes care to distinguish it from "an immediate move to universal coverage or other massive expansion."

But facts are facts, and the universal tax credit approach to health care reform is indeed a plan for universal coverage. I get that some Republicans recoil from the term, because it smacks to them of socialism, but it's high time to reclaim the words "universal coverage" from the socialists.

Universal coverage is a worthy goal that, done the right way, would dramatically improve our fiscal situation, help control runaway health-care costs, lift a massive drag from the U.S. economy, and make a lasting humanitarian contribution. A Republican politician who campaigned on that platform could fire the imaginations of millions.