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Who Should Pay for Health Insurance Reform?

The escalating battle over health insurance reform is taking place on three fronts. The debate over "who should pay?" for reform has so far taken a back seat to the fight over the public option and the struggle over requiring insurance companies to end their practice of denying coverage to sick people. But the clash over "who should pay" will soon take center stage.

Most of the media attention over health reform has focused on whether Congress will embrace a "public option" - an expansion of Medicare that would compete with private insurance companies and give consumers more choices. This battle is still underway. Most Americans, and most Democrats in Congress, want it, but the insurance industry - and its allies among conservative Democrats - are opposed. As the grassroots movement for health care reform gains momentum, accusing these conservative Dems of being tools of the insurance companies, they will be under more scrutiny and pressure to accept a public option.

The health reform activists, led by Health Care for American Now (HCAN), have also exposed the insurance companies' outrageous practices of denying insurance to people with "pre-existing conditions," denying payment for treatments and medicines prescribed by doctors, and putting caps on payments for policyholders. [Polls reveal](#) that most Americans think that the government should require the companies to end these abuses. In exchange for a federal mandate that all Americans buy insurance, greatly expanding their pool of customers, the insurance industry reluctantly agreed to some of these demands, but it is still trying to insert loopholes in the bills to maximize their profits.

Health insurance reform is the moral issue of our time. There is no excuse for a society as wealthy as the United States to have so many people without health insurance and so many more people, including those *with* insurance, who face bankruptcy just to pay medical bills.

The U.S. is trying to decide what kind of society we want to be. Americans believe that some things - national defense, public schools, clean water and air, and fire safety - are investments worth making to insure our common well-being. The overwhelming majority of Americans believe that we should add health care to this list - that the government should guarantee everyone basic health coverage. Whether we succeed in addressing this problem will define how we view ourselves and how the rest of the world views us.

The Congressional Budget Office recently released a [report](#) concluding that it will cost \$829 billion over ten years to provide help for almost 38 million Americans to afford health insurance.

Who should pay?

The Bible (Luke 12.48) says: "From everyone to whom much has been given, much will be required." In a famous speech in 1961, President John F. Kennedy paraphrased this statement, observing that "For of those to whom much is given, much is required."

From any perspective, that is the principle of a decent society: We share a common interest. We're in this together. We're not just all on our own.

This is also the principle of progressive taxation.

As part of its health reform bill (HR 3200), the House has recommended a tax surcharge on the richest 1.3 percent of Americans - families with incomes over \$350,000. The surcharge begins at 1 percent for families with incomes between \$350,000 and \$499,999; the surcharge applies only to the income over \$350,000. It increases to 1.5 percent for families with incomes between \$500,000 and \$999,999. And it jumps to 5.4 percent for families with incomes over \$1 million. This surcharge would raise \$543 billion over the next ten years.

A married couple with an income of \$351,000 would only pay an additional \$10 in taxes (1% of the \$1,000 over \$350,000). A married couple with an income of \$500,000 would pay an additional \$1,500 in federal taxes. A married couple with an income of \$1 million would only pay an extra \$9,000. A married couple with a \$2 million income would pay another \$63,000 in taxes. This sounds like a lot to most Americans, but to the very rich, it is pocket change.

Glenn Beck, Sen. Mitch McConnell, and the *Wall Street Journal* would say it is unfair to take from the "haves" and give to the "have nots." But, in reality, this proposal takes from the "have a whole lots" and gives to the "have somes" as well as to the "have nots." The revenues raised from the rich would provide subsidies to help about 38 million Americans pay their premiums. Families with incomes below four times the poverty threshold are eligible. (The [current poverty line](#) is \$22,050 for a family of four. Four times that figure is \$88,200. Most people receiving subsidies, however, will be in the bottom half of that group).

Let's return for a second to that statement from the Bible: "From everyone to whom much has been given, much will be required." According to a [recent report](#) by the Center on Budget and Policy Priorities, the richest 1 percent of U.S. households reaped two-thirds of the nation's total income gains from 2002 to 2007. (This is the most recent data.) The top 1 percent held a larger share of income in 2007 than at any time since 1928. The inflation-adjusted income of the richest 1 percent grew more than ten times faster than the income of the bottom 90 percent. In other words, the economic growth of the Bush era did not trickle down - it trickled up.

To compound this widening divide, most of the \$2.5 trillion in tax cuts (over 2001 to 2010) signed by President George W. Bush went to the richest Americans, according to [Citizens for Tax Justice](#). The wealthiest one percent alone will have received almost \$700 billion of that amount. That group - with incomes over \$462,000, and with an average income of \$1.6 million - gets an average tax cut of \$92,000 a year, [CTJ reported](#).

In other words, "much has been given" to those Americans at the pinnacle of wealth. So it is only fair that "much will be required" when it comes to helping pay for health insurance for Americans who can't otherwise afford it.

In every state - whether Blue, Red, or Purple -- the number of low-income and middle-class Americans who will benefit from health insurance reform vastly outnumbers those who would pay the tax surcharge, according to research by Health Care for America Now (HCAN). The HR 3200 tax plan requires Congressmembers to answer a simple question: which side are you on?

Senator **Max Baucus** (D-MT) has to decide: Should he vote to increase taxes on the richest one percent of Montanans (only 3,670 households) in order to help 158,000 uninsured constituents who will gain insurance?

Senator **Mary Landrieu** (D-Louisiana) has to decide: Should she vote to increase taxes on the richest one percent of Louisianans (only 16,040 households) in order to help 711,000 uninsured constituents who will gain insurance?

Senator **Evan Bayh** (D-Indiana) has to decide: Should he vote to increase taxes on the richest .9 percent (less than 1 percent) of Indianans (only 20,710 households) in order to help 721,000 uninsured constituents who will gain insurance?

Senator **Olympia Snowe** (R-Maine) has to decide: Should she vote to increase taxes on the richest .8 percent (less than 1 percent) of Mainers (only 4,400 households) in order to help 125,000 uninsured constituents who will gain insurance?

Senator **Blanche Lincoln** (D-Arkansas) has to decide: Should she vote to increase taxes on the richest 0.7 percent (less than 1 percent) of Arkansans (only 7,630 households) in order to help 509,000 uninsured constituents who will gain insurance?

Senator **Kent Conrad** (D-North Dakota) has to decide: Should he vote to increase taxes on the richest 0.8 percent (less than one percent) of North Dakotans (only 2,000 households) in order to help 58,000 uninsured constituents who will gain insurance?

Senator **Ben Nelson** (D-Nebraska) has to decide: Should he vote to increase taxes on the richest one percent of Nebraskans (only 6,340 households) in order to help 167,000 uninsured constituents who will gain insurance?

Senator **George Voinovich** (R-OH) has to decide: Should he vote to increase taxes on the richest 0.9 (less than one percent) of Ohioans (only 41,100 households) in order to help 1.2 million uninsured constituents who will gain insurance?

In the wealthier states, the proportion of households earning over \$350,000 is slightly larger, but the trade-off - how many pay the additional tax versus how many benefit - is the same. For example, in New Jersey, 2.7% of all taxpayers (81,930 households) would pay an extra tax, while 699,000 people would get the benefits. In California, 2.2% of all taxpayers (249,920 households) would pay an extra tax, while 5.8 million people would get the benefits. In New York, 1.9% of all taxpayers (135,520 households) would pay an extra tax, while 1.7 million people would get the benefits. In Connecticut, the wealthiest 3% of all taxpayers (39,600 households) would pay an extra tax, while 681,000 people would get the benefits.

This approach is much more progressive and efficient than the plan approved this week by the Senate Finance Committee, chaired by Senator Baucus, to tax so-called "Cadillac" insurance policies. The plan would impose a 40 percent excise tax on the value of insurance plans that exceed \$21,000 for a family and \$8,000 for an individual. Although these sound like expensive policies, a recent [report](#) by the Commonwealth Fund projected that the average family insurance premium would exceed \$20,000 soon after 2015. Insurance companies would pass on this tax to middle-class Americans, including those without luxury plans, in the form of higher premiums. Thus, the Baucus plan would affect many more people than the House plan and be much less progressive. Employers would slash benefits and wages in order to pay the higher insurance premiums. Moreover, it would only generate \$205 billion over ten years - much less than the House plan.

Many Democrats in Congress prefer the tax-the-rich plan to the Baucus plan. As the battle heats up, the debate over who will foot the bill will loom large. The public needs to weigh in on the question of "who will pay?"

As we hold our elected officials accountable for reforming our broken health care system - one in which insurance CEOs make outrageous salaries, and insurance companies make such huge profits that in the first six months of this year the industry increased its lobbying expenditures and campaign contributions to some \$700,000 a day - let us remember another statement from the Bible (Mark 10:25): "It is easier for a camel to go through the eye of a needle, than for a rich man to enter into the kingdom of God."

In other words, a progressive tax on the rich to pay for health insurance reform is good for America's soul.

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