

OpEdNews Op Eds 3/23/2017 at 19:36:49

The Simple Healthcare Plan for all that Ought to Please Everyone

By Scott Baker

On the eve of the great Obamacare repeal, or not, if conservative Republicans get their way, ironically, I thought I would offer my plan to replace Obamacare with something much better than Trumpcare (and it deserves to be called Trumpcare, because without President Trump, this repeal would have gone the way of the several dozen other repeal plans offered by Republicans during the last 8 years, and been vetoed by the president).

Liberals generally want some form of national health insurance that covers most, or all, medical expenses for all Americans. Conservatives want the government to tax and spend less and let Americans choose their own coverage, or even do without if they "choose" to (I put "choose" in quotes because it is never sufficiently explained, to me at least, what the conservative option is for someone who is inadequately covered who gets sick and can't afford health care. Do we let them "[die on the street](#)" as president Trump famously said he would not do?). The Koch Brothers promise to fund an opposition candidate to Trump who opposes the current Ryan-Trump endorsed bill to be voted on today (which is changing dramatically even as I write this). They think it doesn't go far enough, and indeed, the Ryan-Trump plan has been called Obamacare 0.5 for its reduction in support but not complete elimination.

However there is another option that reduces, or even eliminates the regressive payroll tax, provides medical coverage for all Americans, allows people to choose their own doctors, and even allows for some form of "premium care" to co-exist as a private supplement to an expanded Medicare-for-all. I'm not talking about Representative John Conyers' Medicare-for-all plan [HR676](#), which, while well-intentioned, will never pass since it imposes more taxes than even the current Obamacare taxes on the rich, plus new taxes on Wall Street trading (a good idea, but not for funding Medicare, but for stopping useless and destructive high-frequency trading and raising revenue for other good things).

[Michael Chernew](#) writes in the Health Affairs Blog, "[The Economics of Medicaid Expansion](#)" (UPDATE: The original link seems to have stopped working. See this archive link instead: <http://cc.bingj.com/cache.aspx?q=money+multiplier+for+medicare&d=4999081626241058&mkt=en-US&setlang=en-US&w=zI15CyfdAQXhUdt447IfPI1GcUIc9h0P>):

The Multiplier Effect

Yet the analysis presented above is incomplete. Even in steady state beginning in 2020, the states that do opt to expand receive 90 percent of the funding for Medicaid expansion from the Federal government. Those dollars do not sit idle. They largely support provision of care, and the largest share of that expense is labor. The workers in organizations supported by Medicaid spend the funds on everyday expenses. They eat at restaurants, buy groceries, and go to movies. The businesses who supply those services, many of whom will be in-state entrepreneurs, in turn spend the money on wages and supplies, and the cycle continues.

In economics this process is known as the "multiplier effect." A dollar put into an economy creates more than a dollar of economic activity. The magnitude of that multiplier is again subject to debate, but a reasonable estimate could be between 1.5 and 2.0. Thus after 2020, the 90 cents received from the federal government for each dollar in Medicaid spending translates to between \$1.35 and \$1.80 in state economic activity (crucially assuming enough slack in the economy to absorb the spending).

Note Chernew was writing about Medicaid, not Medi care. However, the patient populations are similar: neither can afford medical care without a government subsidy (Medicaid) or very few can (Medicare). They tend to be older and/or sicker than the general population. Both are not insured (Medicaid) or under-insured (Medicare) by private insurance.

Note also that the link in this 1-year old article doesn't work, but I was able to find the original PDF report that the article is based upon from the Wayback Machine (the internet never forgets!) here: http://web.archive.org/web/*/http://www.mffh.org/mm/files/MUMedicaidExpansionReport.pdf

The study is only for Missouri, and considers many factors in its analysis.

But let's assume, just for the sake of argument, that the essential finding is correct: that for every dollar spent, we get back something more than that from Medicare (or Medicaid).

If the multiplier is greater than \$1 for every \$1 spent, than why not just pay for Medicare entirely out of debt-free money? The government can, has, and can again, issue money direct from the Treasury Department, bypassing the central bank, as it did during President Lincoln's Administration to pay for the Civil War. [\\$450m back then is worth \\$10b today](#), but this understates things because the size of the economy - measured by a backwards GDP calculator, was just \$6b in today's dollars, so Lincoln [effectively increased the GDP of the then-young nation by 40%](#).

We would need far less than that to [fund Medicare for all](#), of course, and we could still reduce the cost by allowing Medicare to bargain for lower drug prices, for example, and doctors would save on staff by not having a myriad of confusing healthcare companies to contend with (some doctors spend more on dealing with insurance carriers than on the rest of their practice). But if we could do away with the regressive payroll tax (Social Security produces between \$1.80 and \$2.00 per \$1.00 spent, according to a study from the Southern Rural Development Center and another one from the AARP respectively, and is eligible for the same process therefore).

A commenter on the blog above wrote that we are taking private productive capacity that has its own multiplier out of the economy with taxes, but if we do away with the tax, what then? Then it's just a net add.

And it's not inflationary if production uses up the stimulus money. And certainly a sicker population, which is what an under-insured population is likely to be, is less likely to pay taxes and boost the economy. Being healthy means being productive, which means adding to the economy. The multiplier, in economist terms, does not even include that; they are just counting what that money is spent on and how it circulates in the economy.

There could still be supplemental insurance for those who can afford it, or want to cover other things Medicare doesn't cover (like Dental, some mental health coverage, cosmetic surgery, and maybe even the emerging field of longevity enhancement). The private provider sector would shrink, of course, and it should. This sector costs people money, is less efficient than Medicare and spends money on advertising that does nothing to enhance people's lives.

Sounds like a win-win to me.

Of course, if you are a conservative who merely wants to widen the gap between rich and poor/middle class (the middle class is also poor by any measure that compares them to multi-millionaires and billionaires), then this plan is not for you. If you think sick people are just lazy or have no one but themselves to blame for getting sick and/or being un/under-insured, this plan is not for you.

But I'm hoping most Americans want what all the industrialized world already has, medical coverage for all at a price that is affordable; there are still deductibles in Medicare, and even supplemental insurance, though this too, should go away in a properly designed plan.

Since it uses Uncle **SAM's** Sovereign **Money** to provide Health **CARE** that does not have to be taxed into existence or borrowed, let's call it SAMMYCARE.

I kind of like the ring of that.