

Financing Medicare for All

Emmanuel Saez (UC Berkeley)
Gabriel Zucman (UC Berkeley)

The current US health care situation

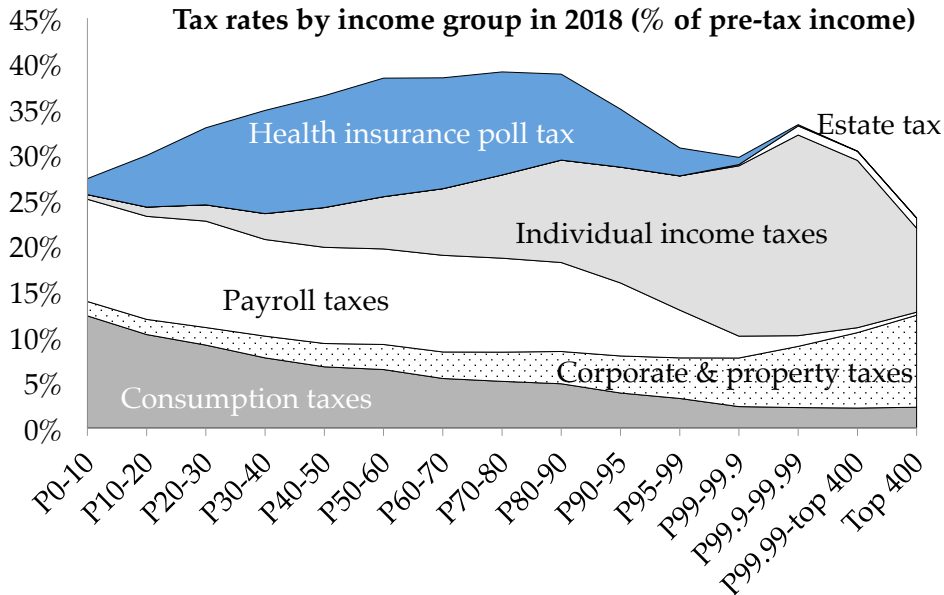
- ▷ Consensus view: everybody should have access to health care
 - ▷ US health care costs record high (20% of national income = \$15,000 per adult)
 - ▷ Health care on the cheap does not exist anywhere (health \geq 10% of national inc in all rich countries)
- Full private funding is impossible (memo: average pre-tax income of bottom 50% = \$18,500)
- Half of US population insured through employers = **crushing privatized poll tax on US workers**

Health insurance premiums: a crushing privatized poll tax

Both employer- and employee-paid insurance premiums reduce cash wages of workers

- ▷ A **tax**, because it's mandatory and reduces wages (employers with 50+ workers have to offer insurance)
- ▷ A **poll tax**, because the secretary pays as much as the executive: \approx \$13K per covered worker
- ▷ A **privatized tax**, because it is managed by employers
- ▷ **Crushing**, because it's growing fast, now 7% of national income = 10% of labor compensation

For the middle class, health insurance is the biggest tax they pay



Funding health care for all through taxes

Solution: replace insurance premiums (privatized poll tax) by taxes based on ability to pay

- ▷ Broad-base flat tax on all income (compensation + profits), collected by employers. 6% rate enough to replace all private premiums.
- ▷ Can be supplemented with progressive taxes: wealth tax, progressive income tax, etc.
- ▷ This change would lead to **biggest take-home pay increase in a generation for working families**

Transition to a fairer funding model

How the transition works

- ▷ Year 1: mandatory conversion of premiums (worker+employer) into wages (neutral for employers)
- ▷ Year 2: introduce new taxes

Example: worker paid \$40,000 in wage, current premiums (employer + employee) \$12,000

- ▷ Year 1: Wage rises to \$52,000
- ▷ Year 2: Introduction of new broad-base tax of 6%: after-tax wage falls by \$3,120 to \$48,880
- ▷ That's \$8,880 more than before: a 22% increase in take home pay!

With a 6% national income tax, 90% of the population would be better off

Tax rates (% of pre-tax income) by pre-tax income groups

