

FairTax and Health Care

There is no question that health care is expensive, or that the American health care model could be improved. Unfortunately, the many health care proposals floating around Congress are unlikely to provide much beyond an increase in health care costs and a reduction in health care options.

If Congress was really serious about reducing the costs of health care, one of their first steps would be to consider the FairTax.

Under the current tax system, providers of drugs and medical equipment are taxed on their profits and employee wages, doctors and other health professionals are taxed on their income, and health care facilities are taxed on employee wages and profits. In addition, because of the way in which the current tax system forces companies to manipulate their balance sheets to minimize tax penalties, research and development costs are much higher than necessary.

And don't forget the taxes paid by insurance companies, their employees, and their stockholders, and how they raise the cost of health insurance premiums, or the fact that individuals trying to purchase their own health care policies have to pay for them with after-tax dollars, effectively making those policies about 30% more expensive.

Under the FairTax, the disruptive effects of the current tax system on the health care industry disappear because businesses and individual incomes would not be taxed.

This means that the costs of drugs and medical devices could be reduced, the costs of services provided by doctors and other medical professionals could be reduced, and the costs of operating health care facilities such as hospitals could be reduced.

And the cost of purchasing health insurance would be reduced three-fold. First because the insurance companies would no longer be paying their current taxes. Second, because the costs of health care itself would be reduced, making the premiums paid less expensive. And third, because individuals get to keep their whole paycheck, they would be purchasing their policies with untaxed dollars.

Sure, the FairTax would be added to the costs of all new health care goods and services purchased at the retail level, but compared to what we have now, it'd be a bargain.