

Financing Medicare Expansion Proposals

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**COMMITTEE FOR A
RESPONSIBLE FEDERAL BUDGET**

CRFB.org

Types of Medicare Expansion

- **Medicare Buy-In/Eligibility Change**
- **A Public Option (Medicare for Some)**
- **Medicare for All (Comprehensive Single-Payer)**

How Much Would Medicare for All Cost?

Depends on what you mean by “cost”

Medicare for All would increase *federal* costs dramatically

- Eliminating premiums and out-of-pocket costs would transfer significant new costs to the federal government
- Expanding coverage to more people and for more services would further increase costs
- Lower provider payments, drug prices, and administrative costs would partially offset increase

Medicare for All could *increase or reduce* national health expenditures

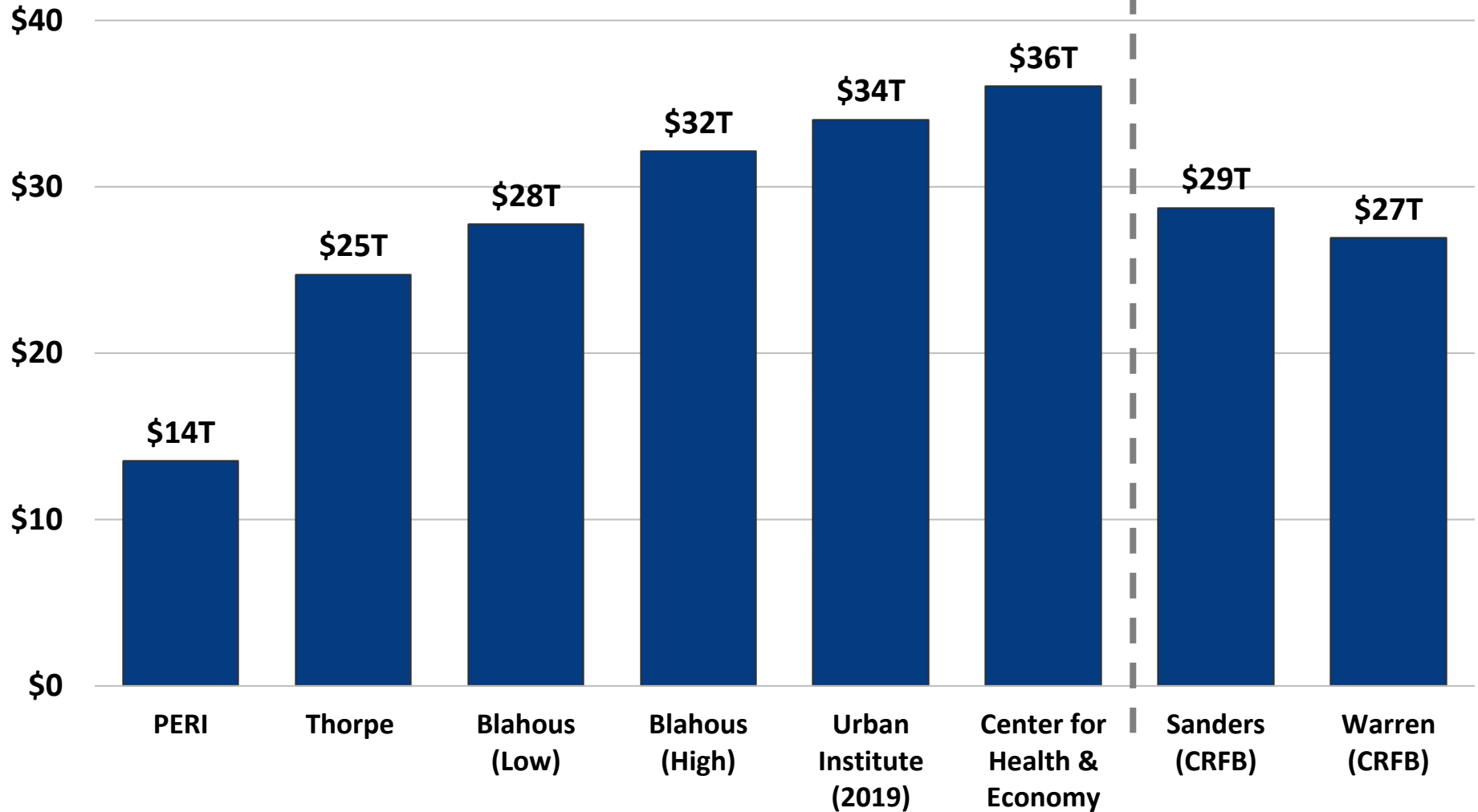
- Expanding coverage and reducing cost sharing would increase utilization and thus cost of care
- Paying less for medical providers, prescription drugs, and administrative spending would reduce costs

The effect on federal costs and national health expenditures are BOTH important

- Higher NHE means a larger share of the economy’s resources going to health care
- Higher federal costs requires great levels of taxes, spending cuts, or borrowing – different financing choices have different economic, distributional, and policy consequences

Medicare for All Would Cost About \$30 Trillion

Trillions of Dollars Over Ten Years (Windows Vary)



Sources: [PERI](#), [Kenneth Thorpe](#), [Charles Blahous](#), [Urban Institute](#), and [Center for Health and Economy](#). Note: ten-year costs are estimated on different budget windows, some include revenue feedback while others do not, and some include long-term care while others do not.

Many Options for Financing Medicare for All

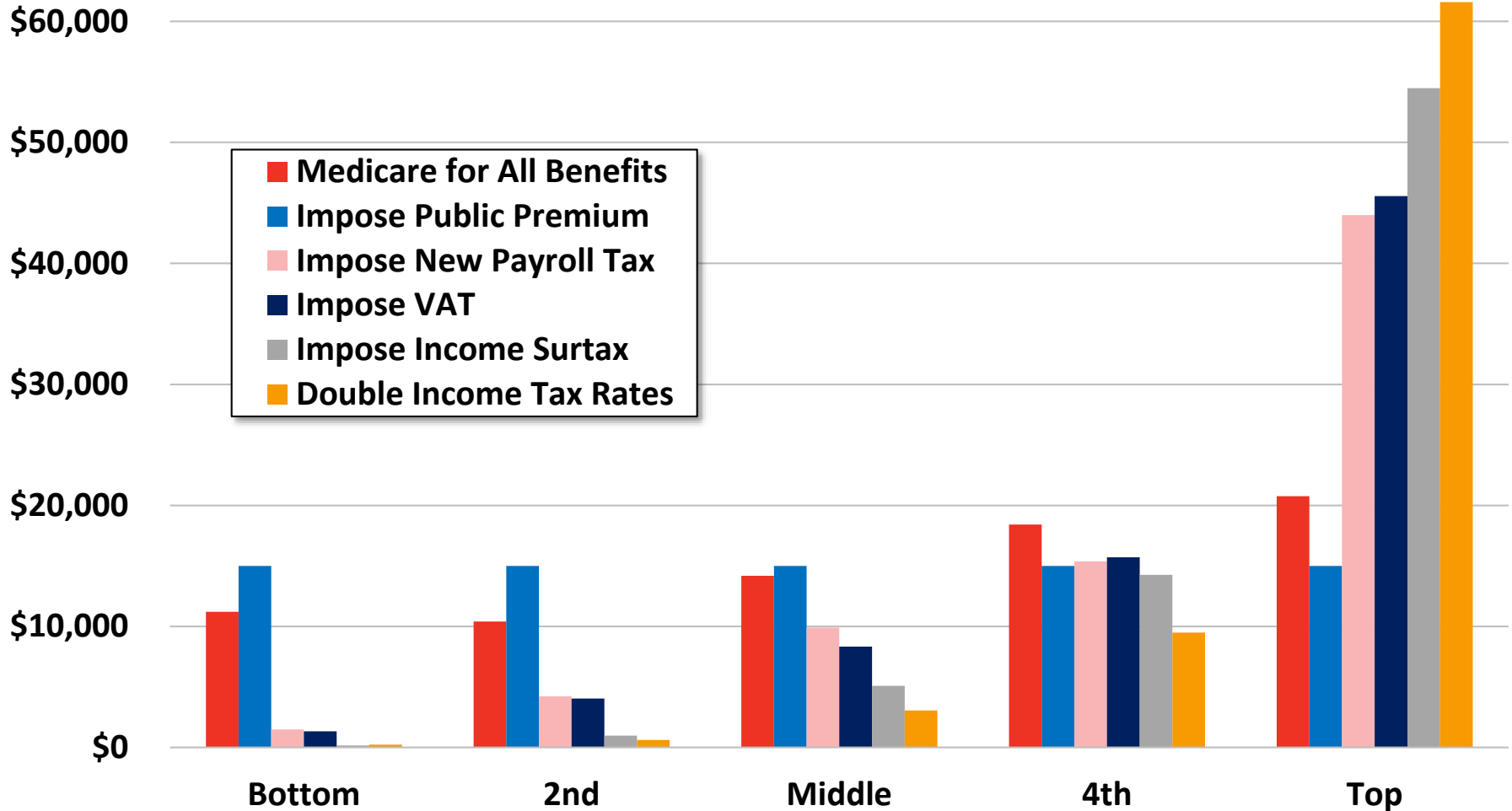
Generating \$30 trillion would require the equivalent of:

- A **32 percent** payroll tax on all wages;
- A **25 percent** income surtax on income above \$24,800;
- A **42 percent** value added tax (VAT);
- A mandatory public premium of **\$7,500** per capita or **\$12,000** per individual without public insurance;
- More than **doubling** all individual and corporate tax rates;
- An **80 percent** reduction in non-health federal spending;
- A **105 percent** of GDP increase in the national debt; OR
- **Impossibly high** taxes on high earners, corporations, and the financial sector

Policymakers would likely consider a combination of approaches

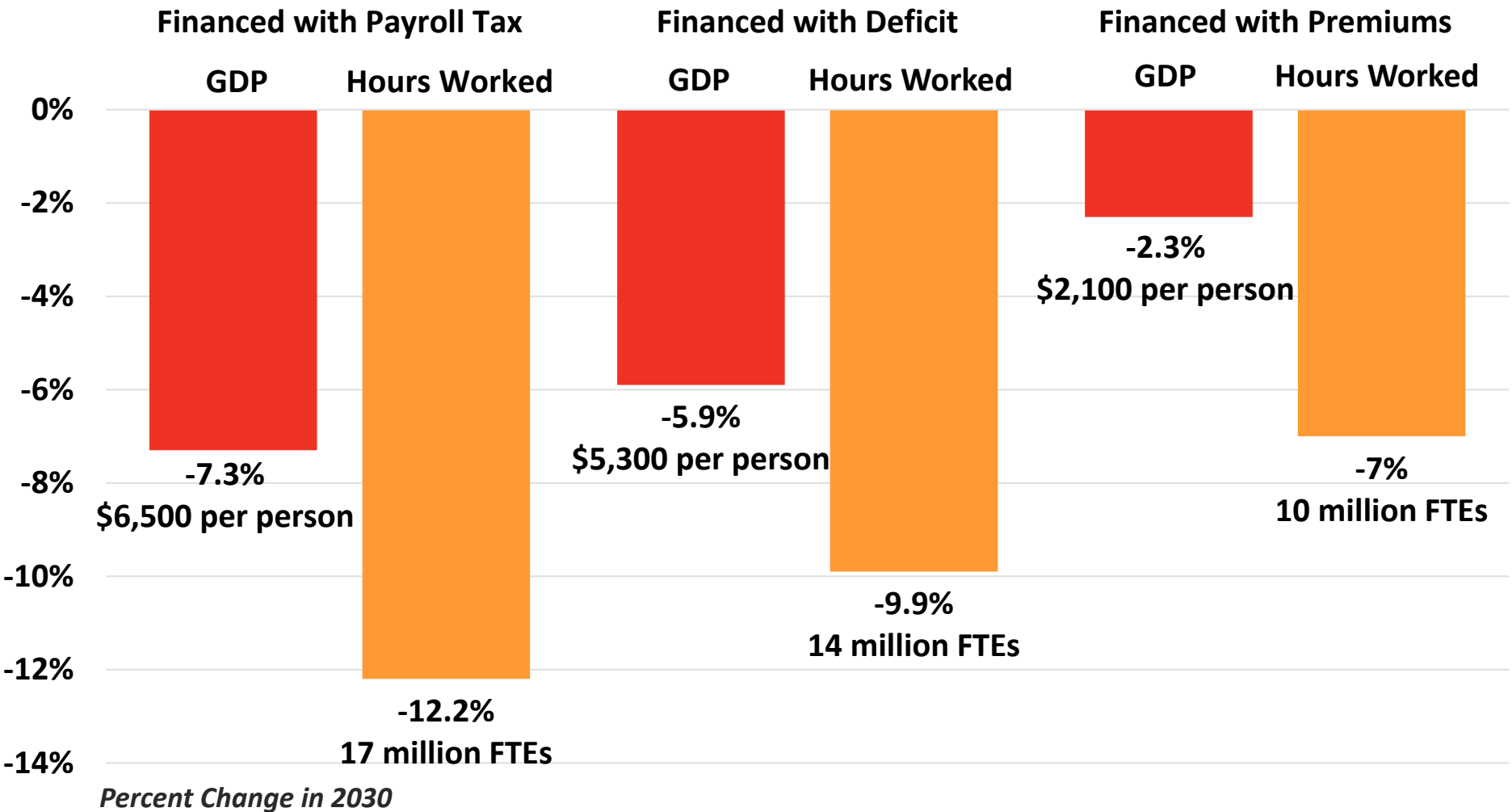
Options Have Different Distributional Implications

Nominal Dollars



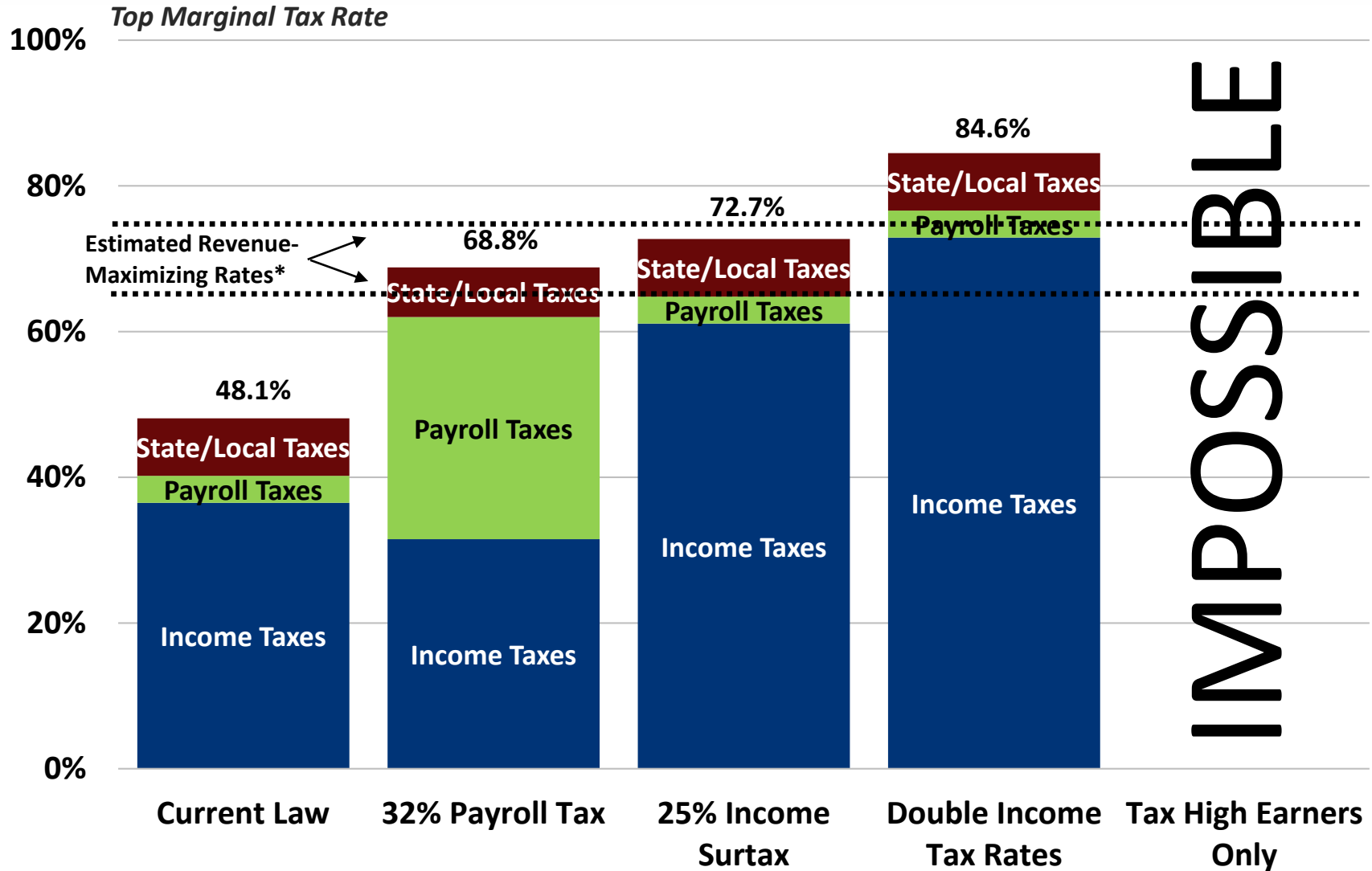
Source: CRFB calculations based on Urban Institute methodology. Note: analysis is preliminary.

Options Have Different Economic Implications



Source: CRFB calculations based on [Penn Wharton Budget Model](#) and CBO data.

Options Have Different Tax Capacity Implications



Source: CRFB estimates. Note: includes interaction effects. *Revenue-maximizing rates have been estimated at 63 percent by Trabandt and Uhlig and 73 percent by Diamond and Saez.

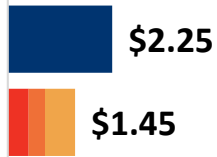


2020 Candidates All Propose Different Pay-Fors

Trillions of Dollars in New Spending and Offsets, Central Estimate, 2021-2030



Biden



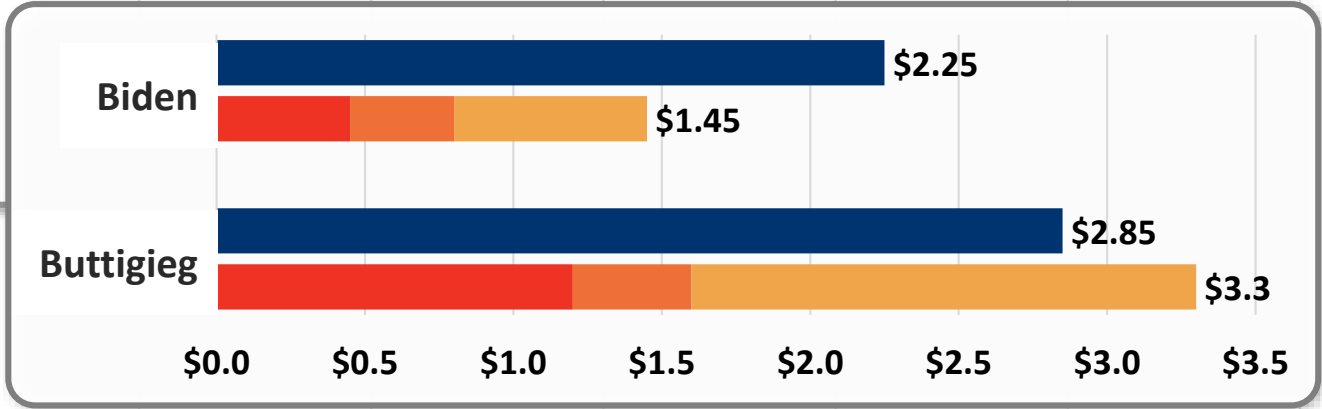
Buttigieg



Sanders



Warren



\$0 \$5 \$10 \$15 \$20 \$25 \$30 \$35

■ Gross Cost ■ Cost Reduction ■ Direct Offsets ■ Additional Offsets

Source: Committee for a Responsible Federal Budget.



What Else Could You Do With The Money?

■ Things you could do with \$800 billion:

- Free Public College & Universal Pre-K
- Double the Earned Income Tax Credit
- Paid Family Leave & Debt-Free College
- Double the NIH Research Budget & Fund the Highway Trust Fund
- More Than Double SNAP Spending

■ Things you could do with \$30 trillion:

- Triple All Social Security Spending
- Quintuple Defense Spending
- Launch the Apollo Program 200 Times
- Abolish the Individual & Corporate Income Tax
- Enact a Universal Basic Income of \$1,000 per month

