



How Congress Can Help Protect Us From Inflation

Writing in [The Hill](#), John Goodman and Boston University professor Laurence Kotlikoff say there are important reforms Congress should have adopted long ago, and that would be especially helpful now.

Fully index the federal income tax to inflation.

Federal income tax brackets are already indexed -- that is, as inflation rises your bracket rises with it so you don't pay a higher tax rate. This provides commendable protection for people with wage income alone. But there are significant parts of the tax code that are not indexed, including capital gains.

Absent full indexing, we should at least index the taxation of Social Security benefits.

Social Security benefits are indexed. They rise in line with the Consumer Price Index. But the tax on those benefits is not. When it was created in 1983, only a small percentage of the elderly -- those with very high incomes -- were affected by this tax. But because it was not indexed, more and more seniors have been snared by it through time. Currently, [56 percent](#) of Social Security recipients are taxed on their benefits.

Tax only the real return on inflation-indexed Treasuries.

Under current law, people of all ages can buy TIPS (Treasury Inflation Protected Securities)

bonds that protect them from inflation. Unfortunately, these securities do not shield the investor from the taxation of inflation-protection income.

Have the Treasury issue bonds that function as inflation-indexed annuities.

This special kind of I Bond would effectively constitute buying an inflation-indexed annuity -- something most people will desperately need during their retirement years, but that no private insurance company today offers.

Eliminate Social Security's earnings test.

When early retirees go back to work or take a part-time job and earn more than \$19,660, they will lose 50 cents in benefits for every dollar they earn. When this earnings penalty is combined with the Social Security benefits tax and regular income and payroll taxes, senior workers can face astronomically high marginal tax rates -- even [exceeding 90 percent!](#)

Eliminate Social Security's (FICA) payroll tax for everyone over the full retirement age.

Why is the government collecting a 12.4 percent payroll tax from people who, in general, have little to gain in higher benefits from paying more Social Security FICA taxes? In case no one has noticed, the economy needs more workers right now. This reform would likely more than pay for itself in the form of higher federal income taxes.

Q & A on Health Reform

The Goodman Institute has created a first-of-its-kind guide for voters and candidates as we approach the fall election. Here are some samples from the guide.

What is wrong with the market in which people buy their own health insurance – the individual market?

For millions of Americans, health insurance has become increasingly unaffordable and increasingly useless in meeting real health care needs:

- If you combine the average premium with the average deductible faced last year by people in the Obamacare exchanges, a family of four (not getting a subsidy) had to [pay \\$25,000](#) before getting any benefit at all from their health plan.
- All across the country, people with insurance purchased in the exchanges are [denied access](#) to the best doctors and the best hospitals, even though these providers accept private insurance and even Medicare.

These are not the normal results of free market competition. They are the product of unwise regulations that give perverse incentives to everyone affected by them.

If you have good health insurance through an employer, why should you care about what is happening in the individual market?

If you are laid off, retire early or become too sick to work, you will have to seek health insurance in this market. This could happen to any of us.

Why are deductibles and premiums so high in the individual market?

Because of Obamacare regulations. Although the individual mandate to buy health insurance was repealed, the mandate to provide the same insurance to everybody still applies to sellers of health insurance. The only type of plan they can offer you is bloated with benefits you may not want or need.

If people could buy insurance that meets their personal needs, won't they be tempted to avoid coverage that is socially important?

They might. For example, they might choose to avoid coverage for substance abuse or for mental health care. Or, they might have insufficient catastrophic coverage for very rare and very expensive medical events.

One solution to this problem is already part of current law. If people with a short-term plan experience an unanticipated and uninsured-for medical need, they can always return to the Obamacare exchanges and enroll in a plan that covers virtually everything.

Do the congressional Democrats have a solution to the problem of outrageous out-of-pocket costs?

What is being offered in the individual market right now are plans that no one is buying without a large subsidy. As a result, the unsubsidized market was in a free fall (sometimes called a “death spiral”) until recently. Last year, Congress passed the American Rescue Plan Act, which extended Obamacare subsidies to high-income families to try to lure them back into the market. Not only is this a regressive



law, giving money to rich people through taxes paid by everyone, it is also very wasteful because the new subsidies are mainly going to people who had already found insurance alternatives.

It appears that we are [spending \\$17,000](#) for every newly insured person because of the new subsidies. The subsidies end after 2022 and they are the subject of partisan divide.

Why do so many plans exclude the best doctors and the best hospitals?

Perverse incentives have created a “race to the bottom” in which health plans are trying to attract the healthy and avoid the sick. A typical plan these days looks like Medicaid with a high deductible.

How can we reform the market to give people access to the providers that can best meet their needs?

We already have [a model](#) that is far superior to what is happening in the individual market. Medicare Advantage (MA) is the only other place in our health care system where private plans compete and enrollees choose among them in an open enrollment period. Like the individual market, Medicare Advantage has government subsidies and no discrimination based on pre-existing conditions.

But unlike the individual market, MA plans can specialize in such chronic problems as diabetes, heart disease, cancer care, etc. And because the plans get a subsidized premium that reflects the expected cost of treating their enrollees, these plans find it profitable to attract enrollees with serious problems. MA plans can ask health questions, request to see medical records and exclude people who do not have the disease the plans specialize in. As a result, there is an emerging market for chronic care in Medicare.

By contrast, in the Obamacare exchanges, health plans seem to be vying to attract the healthy and avoid the sick.

Medicare Advantage is not perfect. But it is a starting point from which to build a [workable health insurance exchange](#).

Do the congressional Democrats have a solution for the problem of health plans with inadequate access to care?

No.

Why can't your employer buy insurance for you that you own and can take with you when you leave employment?

This is another issue on which the two parties have radically different views. During the Obama administration, [personal and portable health insurance](#) funded by an employer was against the law. An employer caught doing it was subject to fines as high as [\\$100 per employee per day](#). President Trump countered with an [executive order](#) that not only allows employers to purchase individually owned health insurance, but actually encourages it.

Is virtual medicine here to stay?

Not unless Congress acts. Before the Covid pandemic, it was illegal for doctors to treat Medicare patients by means of phone, email, Zoom, Skype, etc. – with very few exceptions. For younger people, almost all communication devices violated privacy laws. When Covid hit, Congress temporarily suspended these barriers and many state governments suspended their restrictions as well. All the new-found freedoms are temporary, however. They are almost all tied to Covid. If the pandemic appears to no longer qualify as an “emergency” problem, [telehealth is scheduled to go away as well](#).

Why a Billionaire's Tax Could Be Bad For You

The Biden administration has proposed [a new tax](#) on households worth more than \$100 million. The new levy would apply not just to ordinary income, but also to unrealized capital gains. If a wealthy person owns shares of stock and the stock is worth more today than when it was purchased, Biden wants the federal government to take 20 percent of the increase. Writing in the [Washington Examiner](#), Dr. Goodman says we all should oppose this idea, regardless of our income.

Whatever Happened to the \$15 Minimum Wage?

It seems like only yesterday that the \$15 minimum wage was high on the agenda of every self-respecting progressive politician, including Hillary Clinton in her presidential campaign. The “Fight for 15” was successful in several states and even went statewide in New York and California. So why aren't we hearing more about the idea these days? Writing in [Forbes](#), Dr. Goodman says labor markets are working, just like textbook economics say they should.

A Health Reform Whose Time Has Come

The basic idea: take all the spending and tax subsidies we now provide to private health insurance and use that money to give every American not on a government health plan a refundable tax credit. This money could be used to purchase health insurance and make deposits to Health Savings Accounts, from which people could purchase health services directly. [Goodman Institute scholars](#) helped Congressman Pete Sessions make this plan possible.

Goodman Institute Briefs the Congressional Doctors' Caucus

Dr. Goodman briefed the House of Representative doctors in June. His remarks were based

on three important Goodman Institute publications covering (1) how to [talk about health care](#), (2) [free enterprise health reforms](#)

based on the rules for talking about health care,

and (3) [essential background information](#) for successfully communicating with voters.



Dr. Goodman talks with Rep. Beth Van Duyne about health reform

Goodman Institute Editor Explains Poetry in the Wall Street Journal

What good is poetry? [Jane Shaw Stroup](#) writes that, “In ancient times, poetry was part of ritual, not only to placate the gods but as to pass history along. Meter and rhyme made it easy to learn.” She adds, “An echo of the early uses of poetry can be found in nursery rhymes and in such children’s stories as ‘The Cat in the Hat.’ Parents quickly learn that toddlers love rhymes and can readily repeat them.”



6335 W Northwest Hwy - #2111 • Dallas, TX 75225 • email: info@goodmaninstitute.org • +1 214.302.0406

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