

THE BAD MAX TAX

Update: Here's Bad Max's "framework."

Bad Max Baucus' health care plan is, best as I can tell, an attempt to turn the middle class into serfs to the health care industry.

Consider the "limits" he places on health care costs for those who make between 300% and 400% of the poverty limit (between \$66,150 and \$88,200 for a family of four):

Another section of Mr. Baucus's proposal would help pay insurance premiums, co-payments and deductibles for people with incomes less than 300 percent of the poverty level (\$66,150 for a family of four). It would also provide some protection for people with incomes from 300 percent to 400 percent of the poverty level (up to \$88,200 for a family of four), so they would generally not have to pay more than 13 percent of their income in premiums.

So Bad Max says that he will prevent these people from having to pay more than 13% of their income in health care premiums. For the family of four making \$67,000, that's \$8,710. For the family of four making \$88,200, that's \$11,466. For the family of four making \$90,000, apparently, there are no such limits, so they may be paying much more. For what may well be utter and total junk.

Now, frankly, there are a lot of middle class families already paying more than that. Heck, mr. ew and I are paying more than \$8,700, and that's just for two of us, and that's before Blue Cross starts whacking us for my pre-existing condition next year.

But that's just the premiums.

Then, Bad Max has a limit for total out-of-pocket expenses (and this appears to include everything). For that family of four—regardless

of whether they make \$67,000 or \$88,200, that limit would be \$11,900.

Mr. Baucus would impose limits on out-of-pocket medical costs – the co-payments, deductibles and similar charges for covered items and services. The limits would be \$11,900 a year for a family and \$5,950 for an individual. The comparable numbers in the House bill are \$10,000 and \$5,000.

Now, of course families would only have to pay that limit if they used enough services to reach that limit—though in Bad Max's plan, health insurance companies are asked to cover far less of actual expenses, so in Bad Max's plan, families are going to reach that limit relatively quickly. ~~If Bad Max asks families to pay 35% of their costs, then that represents just \$34,000 in costs, or less.~~ [Update] Bad Max says insurance companies have to provide 73% of costs if they want to be subsidized.

And the only way to keep those costs down under Bad Max's bill is the co-op. So what's to stop the hospitals for charging \$10,000 for you to walk through the door? Or for Pfizer to charge you \$5,000 a year for your required medicine? What's to stop the insurance companies from charging everyone that 13% rate on premiums, as a matter of course? Under Bad Max's plan, because it requires everyone to have insurance, corporations actually have more of a guarantee (and therefore an incentive) to charge such exorbitant fees.

So assume those two families pay the limit under Max's plan—which they would do long before they got into catastrophic health issues.

That family of four making \$67,000 would pay \$20,610, or 31% of their income.

That family of four making \$88,200 would pay \$26,366, or 26% of their income.

Of course, both these families would be in the

25% federal tax bracket. Bad Max is asking middle class families to pay more for health care than they pay in federal taxes.

And let's look whether it'll solve the debt crisis so many in the middle class are experiencing.

Here's a very rough budget for that family making \$67,000 (I'm not an accountant, so tell me where my assumptions are wrong).

Federal Taxes (estimate from this page):
\$8,710 (13% of income)

State Taxes (using MI rates on \$30,000 of income): \$1,305 (2% of income)

Food (using "low-cost USDA plan" for family of four): \$9,060 (13.5% of income)

Home (assume a straight 30% of income):
\$20,100 (30% of income)

Bad Max Tax: \$20,610 (31% of income)

Total: \$59,785 (89% of income)

Remainder for all other expenses
(including education, clothing, existing debt, transportation, etc.): \$7,215 (or 11% of income)

Aside from the atrocity that Bad Max thinks middle class families should pay more to his donors than they pay for housing or for their Federal taxes, assuming these middle class families come close to hitting the max in a given year (something Bad Max doesn't do much to prevent), it would leave them just \$7,215 for all the rest of their expenses. That's simply unsustainable and would all but preclude things like college. Thus, Bad Max's health care "reform" would basically institutionalize a condition in which the middle class continues to fall further and further behind, paying far too much for health care and/or avoiding necessary treatment. It would keep the middle class

drowning under debt. It would continue to force the middle class to choose between health care and things like college or fixing the roof on their house.

It would all but ensure that we never recover from Bush's depression. Unless, of course, we were one of Bad Max's donors.

And that is what the Democratic Party is now entertaining as an acceptable solution.

Update: Changed figure for food cost per USDA plans, h/t Peterr.

Update: Changed tax rates per this page, lowered state rates.