

WE CAN'T AFFORD THE MAXTAX

The newspapers (and some Senators) have apparently discovered what I pointed out a week ago. The MaxTax is completely unaffordable for the middle class.

Near the top of the list for the panel's Democrats is worry that health insurance subsidies will not be sufficiently generous nor available to enough people despite the fact that the bill would legally require most people to obtain coverage. Beyond premiums, some Democrats are concerned that Baucus's proposal would not do enough to protect middle-class families from high healthcare expenses.

"It's very clear, at this point in the debate, the flashpoint is all about affordability," said Sen. Ron Wyden (D-Ore.). "I personally think there's a lot of heavy lifting left to do on the affordability issue."

The healthcare bills already approved by three House committees and another Senate committee offer more generous subsidies – but at a higher cost to taxpayers.

"We're doing our very best to make an insurance requirement as affordable as we possibly can, recognizing that we're trying to get this bill under \$900 billion total," said Baucus, who has been courting Republican support for his measure in an attempt to guarantee that a healthcare bill can achieve the 60 votes or more needed to avoid a Senate filibuster.

"I'm going to work even harder to address any legitimate affordability concerns. I knew they were there,"

Baucus said.

Just as a reminder, here are the numbers I came up with last week—showing that if a middle class family had a significant (but not catastrophic) medical event under MaxTax, it might be left with as little as \$7,215 to pay transportation, utilities, school, clothing, and debt.

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)

(Note, there was a lot of discussion about the Federal tax figure—including whether it would be lower once you account for writing off these medical costs. Since it's a CBO number that accounts for that kind of deduction now, I think it is probably close to real.)

Of course, Baucus is going to insist on these bankruptcy-inducing figures, because he promised

a bill that would cost less than \$900 billion. But in his obstinance, he's ignoring two other options. To put a cap on what insurance companies can charge. Or, to keep these costs lower by introducing a public option.

Which I guess demonstrates where Baucus' priorities lie: in the insurance company profits, and not middle class survival.