

## Tax health care to pay for health care?

May 13 2009, By RICARDO ALONSO-ZALDIVAR , Associated Press  
Writer

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(AP) -- Most people with job-based health insurance don't think of their benefits as a form of income. But Uncle Sam might just change that.

Senators are considering limiting - but not eliminating - the tax-free status of employer-provided health benefits to help pay for President Barack Obama's plan to provide coverage to 50 million uninsured Americans.

Employer-provided [health insurance](#) technically is considered part of workers' compensation, but unlike wages, it is not taxed. The forgone revenue to the federal government amounts to about \$250 billion a year.

So even if they're lucky enough to avoid going to the doctor or hospital, and never use their job-based health insurance, some Americans may find themselves paying taxes on at least part of its value.

Senators on Tuesday held a round-table discussion to begin grappling with how to finance guaranteed coverage, a cornerstone of Obama's plan to overhaul the [health care system](#). Independent experts put the costs at about \$1.5 trillion over 10 years.

Obama sees a world in which doctors and hospitals compete to offer quality service at lower costs, and the savings help cover the uninsured. Turning that vision into reality remains the biggest challenge for the president and his backers, because hard cash - not just ideas - is required to cover upfront costs of expanding coverage.

The final financing package is likely to include a mix of tax increases and spending cuts in federal health programs. Among the possibilities are tax increases on alcoholic beverages, tobacco products and sugary [soft drinks](#), and restrictions on other health care-related tax breaks, such as flexible spending accounts.

But some taxes don't seem to be on the table, such as a federal sales levy to pay for health care or a new payroll tax.

Congressional leaders say they want to pass legislation in the Senate and House this summer.

On the question of taxing health benefits, Senate Finance Committee Chairman Max Baucus, D-Mont., who chaired Tuesday's round table, is staking out a position that could put him at odds with Obama.

The president adamantly opposed such taxes during the campaign, arguing they would undermine job-based coverage. Obama's aides now say he's open to suggestions from Congress, even if he criticized Republican presidential rival John McCain for proposing a sweeping version of the same basic idea.

Baucus said he wants to modify the tax break, not abolish it.

"We are not going to repeal it," he said.

Baucus suggested that the benefit could be limited by taxing health insurance provided to high-income individuals, although he did not specify at what income levels. He also said that plans offering rich benefits - for example, no co-payments or deductibles - might be taxed once their value exceeded a yet-to-be-determined threshold.

Many experts say Congress won't be able to come up with the kind of

money needed to provide coverage for all unless limitations on the health care tax break are part of the mix.

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On the Net:

Senate Finance Committee [health care](#) round table:

<http://finance.senate.gov/sitepages/hearing051209.html>

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