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OPINION

## How to Tackle the Entitlement Crisis

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While Congress will have a partisan debate over the federal budget this week, there is a growing, bipartisan consensus about the greatest threat to our nation's long-term economic prosperity: the explosion of entitlement spending. Unfortunately, Washington is not planning to address that problem this week, or any time soon. By doing nothing, we are shackling our future with unsustainable debt and taxes.

According to the Congressional Budget Office, Social Security, Medicare, Medicaid and the rest of government will consume nearly 40% of the economy by the time my three young children reach my age (38). This will require more than doubling the average tax burden of the past 40 years just to keep the government afloat. Continuing down this path will eventually strangle our economy.

To meet this challenge and secure our fiscal future, I'm introducing a comprehensive legislative plan called "A Roadmap for America's Future." Here are its components:

- *Health Insurance.* The bill provides universal access to affordable health insurance, by shifting the ownership of health coverage from the government and employers to individuals. It provides a refundable tax credit – \$2,500 for individuals and \$5,000 for families – to purchase coverage. Individuals will be able to buy insurance offered by any provider in any state – not just the one where they live – and carry it with them if they move or change jobs.

This will encourage, and enable, people to shop for the coverage best suited to their needs and financial circumstances. Insurance companies will also have an incentive to diversify coverage at competitive prices. The active participation of individuals and families in a national, competitive market will restrain health-care costs.

The plan also establishes transparency in health-care price and quality data, so this critical information is readily available *before* someone needs health services. It also encourages the adoption of health information technology.

- *Medicaid and Medicare.* The bill modernizes Medicaid by giving states maximum flexibility to tailor their Medicaid programs to the specific needs of their populations. It also allows Medicaid

recipients to avail themselves of the health-coverage options open to everyone else through the tax-credit option.

The bill secures the existing Medicare program for those over 55 – so Americans can receive the benefits they planned for throughout most of their working lives. Those 55 and younger will, when they retire, receive an annual payment of up to \$9,500 to purchase health coverage – either from a list of Medicare-certified plans, or any plan in the individual market, in any state.

The payment is adjusted for inflation and based on income, with low-income individuals receiving greater support and a funded medical savings account.

- *Social Security.* Workers under 55 will have the option of investing over one-third of their current Social Security taxes into personal retirement accounts. These personal accounts are likely to grow faster than the traditional benefit. They are also the property of the individual, and are thus fully inheritable. The bill includes a guarantee that no one's total Social Security benefits from the personal accounts will be less than if he had chosen to stay in the current system.

Combined with a more realistic plan for growth in Social Security benefits, and an eventual increase in the retirement age, the Social Security program can thus become sustainable for the long term.

- *Tax Reform.* The current federal tax code is complex, burdensome and discourages economic growth. It cannot be fixed with incremental changes; it needs a complete overhaul.

To accomplish this goal, the bill first of all offers individuals a choice of how to pay their taxes – either through the existing law, or through a simplified code with a tax return that fits on a postcard, just two rates and virtually no special tax deductions, credits or exclusions (except the health-care tax credit). Taxpayers themselves choose which code serves them better.

The rates in the simplified code are 10% on income up to \$100,000 for joint filers (\$50,000 for single filers); and 25% on taxable income above these amounts. There is also a generous standard deduction and personal exemption totaling \$39,000 for a family of four. The alternative minimum tax is eliminated. And to promote long-term investment in economic growth, taxes on capital gains, dividends and estates are also eliminated.

On the business side, the bill gets rid of our uncompetitive corporate tax – currently the second highest in the industrialized world – and replaces it with a business consumption tax of 8.5%, which is half the average industrialized world rate.

The roadmap I'm offering is a real plan, with real proposals, real numbers to back them, and real legislation to implement it. Based on the analysis of government actuaries, it is projected to make Social Security and Medicare permanently solvent, lift the growing debt burden on future generations, and hold Federal taxes to 18.5% of GDP.

Many will disagree with this approach. But it is my sincere hope that it will spur Congress to move beyond simply rehashing the problem – to the politically difficult, but critical task of debating, and implementing actual solutions.

**Mr. Ryan, a Republican congressman from Wisconsin, is a member of the Budget Committee and the Ways and Means Committee.**