



Press Release

The Economic Impact of Funding a Public Option

ANDREW EVANS | DECEMBER 17, 2020

President-elect Joe Biden has proposed a public option as a competitor to private health insurance, arguing that it would be a more affordable choice than the options currently available. In a new analysis, AAF's Director of Fiscal Policy Gordon Gray and Director of Health Care Policy Christopher Holt examine the options for how to structure and fund such a policy. The most likely structure of a public option would cost over \$700 billion, they write, and the economic impact of the taxes necessary to cover that sum depends on how the money is raised, ranging from a 0.1 to 0.6 percent decline in gross domestic product and up to \$430 billion in lost wages.

They conclude:

In addition to the revenue needed to shore up the severely underfunded Medicare Trust Fund and the taxes already increased to fund the ACA, the imposition of a public option may necessarily result in further tax increases on payroll, high-income earners, wealth, or some combination of the three. Those categories each have markedly different impacts on wages and economic growth, but any of these options will have negative impacts on wages and growth. Should policymakers take up President-elect Biden's public option plan, careful consideration of its tax implications in the current economic climate is a necessity.

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