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Tackling the entitlement crisis

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By [Paul Ryan](#)

I have held over 400 listening sessions in my 10 years of serving Wisconsin's First Congressional District. Everywhere I go, people tell me, "Washington is broken and isn't dealing with our nation's most pressing problems." They are right. By failing to tackle the greatest threat to our nation's long-term economic prosperity—the explosion of entitlement spending—we are failing the next generation of Americans. The looming fiscal and economic crisis we face is no longer in question. What remains in doubt is whether America's leaders will lead and set a different course for the next generation.

Our federal government continues to make promises it knows it can't keep. Our social insurance programs of the past century—those that promise health and retirement security—are headed toward bankruptcy. Not only will these programs grow themselves into extinction, they will immensely burden our economy and our budget, piling massive amounts of debt on future generations, crippling our ability to compete in the international marketplace and dramatically reducing American's standards of living.

To meet this challenge and secure our fiscal future, I have introduced a comprehensive legislative plan called "A Road Map for America's Future." This proposal recognizes the interrelated crises in health care, entitlement spending, the outdated federal tax code and our growing debt. Here are its components:

Health insurance. We spend more than any other nation on health care, yet 47 million Americans are uninsured. In addition, Americans with health insurance are losing more of their paychecks to skyrocketing health-care costs. Americans should not fear bankruptcy due to a major illness.

Reducing the costs of health care is my first priority. This would be done by requiring health-care providers to fully disclose up-front the prices and quality of health-care services. If people know up-front what services cost and who provides the best service, health-care providers will be forced to lower prices and provide better service in order to attract patients.

My plan provides universal access to affordable health insurance. For those who have employer-provided health insurance, that coverage could be kept. If those who don't have employer-provided health insurance, my plan will give them a helping hand to buy health insurance. 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.

If someone is really sick or has a disease that makes it hard or impossible to get insurance, the state will help you enroll in and help pay for a health-insurance plan.

Medicaid and Medicare. 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

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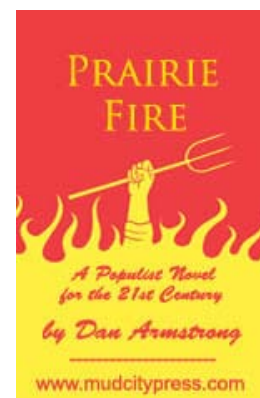
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plans or any plan in the individual market in any state.

The \$9,500 payment is adjusted for inflation and based on income, with low-income individuals receiving greater support and a funded medical savings account. Seniors with deteriorating health conditions will also receive additional support.

The bill also 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.

Social Security. Social Security will be preserved for current retirees and those 55 and older. My plan starts by ending the raid on the Social Security Trust Fund. Workers under 55 will have the *voluntary* 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 or she 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 tax code or through a simplified code with a tax return that fits on a postcard. It has just two rates and virtually no special tax deductions, credits, loopholes and 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 of \$25,000 for joint tax filers and \$12,500 for single filers. There is a \$3,500 personal exemption. This results in \$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. It levels the playing field for American-made goods and services by removing taxes from American-made exports and putting an equal tax on foreign imports. It encourages companies to invest in America, promotes jobs here at home and strengthens the paychecks of American workers.

The Road Map I'm offering is a real plan, with real proposals, real numbers to back

them and real legislation (H.R. 6110) to implement it. The full plan can be accessed at www.americanroadmap.org.

I recognize that this is an ambitious proposal. Not everyone will agree with every aspect of it, and that's fine. 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 for the American people.

These problems are too big to grow our way out of, tax our way out of or borrow our way out of. The problems are not Democratic problems or Republican problems—and cannot be solved exclusively using the political ideology of either party. We need to build bipartisan support for actual solutions across America.

The unique American legacy is that each generation tackles its defining challenge and leaves the next generation better off. Previous generations have risen to the occasion and left America stronger, safer and more prosperous for the next generation. This looming fiscal crisis is our defining challenge, and we must take decisive action if we are to uphold the American legacy.

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