

# A Bill

## The Financial Sanity Act

Whereas, the Government of The United States of America is heavily in debt, and the trajectory of anticipated federal debt growth could destroy the nation;

Whereas, according to a June 25, 2019 publication of the Congressional Budget Office (CBO), the federal debt as a percentage of Gross Domestic Product (GDP) of The United States of America is anticipated to increase substantially over the next three decades and thereafter absent substantial changes in tax revenues or spending or both;

Whereas, under current law, the CBO anticipates federal debt to equal 144 percent of GDP by 2049, and such percent would be substantially greater than the federal debt-to-GDP percent ever previously recorded;

Whereas, a June 25, 2019 budget outlook publication of the CBO notes the possibility of a financial crisis absent action to prevent the anticipated substantial increase in growth of federal debt;

Whereas, in 2007, when the total national debt was just under \$9 trillion (and it now exceeds \$22 trillion), the GAO said: “GAO’s current long-term simulations continue to show ever larger deficits resulting in a federal debt burden that ultimately spirals out of control;”

Whereas, in 2010, then Joint Chiefs of Staff Chairman Adm. Michael Mullen said: “the most significant threat to our national security is our debt;”

Whereas, annual federal tax revenue has never exceeded \$3.5 trillion, and its anticipated annual growth is far eclipsed by the anticipated annual growth of spending;

Whereas, the two largest federal expenditures are Social Security and Medicare;

Whereas, since the advent of Social Security in the 1930s, and Medicare in the 1960s, life expectancy has increased dramatically, including life expectancy increasing from 47.3 years in 1900 (the first year of Medicare eligible births) to 76.8 years in 2000;

Whereas, retirement age changes to Social Security have not kept pace with life expectancy changes and there have been no changes to retirement age for Medicare;

Whereas, the CBO and the trustees of Social Security and Medicare anticipate insolvency in both programs absent substantial changes in these programs;

Whereas, Congress wishes to reform Social Security and Medicare so as to substantially increase their financial standing, reduce the anticipated future debt of the nation, and cause retirement ages to be more in line with life expectancy, while reasonably reducing the cost-of-living adjustment to correspond to spending inflation in a manner that corresponds to the inflation indexing of the federal income tax laws;

Whereas, the presence of a third party in health care purchases has caused health care inflation to regularly exceed the general inflation rate for the nation;

Whereas, use of high deductible health plans have become commonplace in recent years, and their use has helped health care costs to be less than what they otherwise would have been;

Whereas, Congress wishes to eliminate tax subsidies for health insurance that is not high deductible health insurance, so as to maximize competition in the health care industry without causing potential catastrophic loss to anyone, with the resulting price decreases helping all health care patients, including Medicare beneficiaries; and

Whereas, Congress wishes to create incentive for individuals to be cost-conscious consumers of health care services, and thus wishes to add a minimum 25 percent co-insurance requirement to high deductible health plans, while also providing that if the minimum co-insurance provision of a high deductible plan is 50 percent or more, then no deductible need exist.

Therefore, in order to help achieve the objectives outlined above, Congress hereby amends The Social Security Act, 42 U.S.C. § 301 *et seq.* (the “Act”), and the Internal Revenue Code, 26 U.S.C. § 1 *et seq.* (the “Code”), as follows.

The Act is amended as follows:

(a) In §202, 42 U.S.C. §402, “age 62” is replaced with “early retirement age (as defined in section 216(l))” each place that it appears.

(b) Effective on January 1, 2025, in §202, 42 U.S.C. §402, “age 60” is replaced with “age 63” each place that it appears.

(c) Effective on January 1, 2025, in §202, 42 U.S.C. §402, “age 50” is replaced with “age 53” each place that it appears.

(d) In §202, 42 U.S.C. §402, “age 70” is replaced with “late retirement age (as defined in section 216(l))” each place that it appears.

(e) Paragraph (1) of subsection (l) of §216, 42 U.S.C. §416(l)(1), defining “retirement age,” is amended by eliminating the word “and” after subparagraph (D), adding the words “and before January 1, 2023” after “December 31, 2021” in subparagraph (E), changing the period after subparagraph (E) to a semi-colon, and adding the following subparagraphs (F) through (L):

(F) with respect to an individual born after December 31, 1960 and before January 1, 1962, 67½ years of age;

(G) with respect to an individual born after December 31, 1961 and before January 1, 1963, 68 years of age;

(H) with respect to an individual born after December 31, 1962 and before January 1, 1964, 68½ years of age;

(I) with respect to an individual born after December 31, 1963 and before January 1, 1965, 69 years of age;

(J) with respect to an individual born after December 31, 1964 and before January 1, 1966, 69½ years of age;

(K) with respect to an individual born after December 31, 1965 and before January 1, 1970, 70 years of age; and

(L) with respect to an individual born after December 31, 1969, the life expectancy adjusted retirement age (as defined in paragraph (5)).

(f) Effective January 1, 2022, the term “Consumer Price Index” in subparagraph (D) of paragraph (l) of subsection (i) of §215, 42 U.S.C. §415(i)(1)(D), is replaced with “Chained Consumer Price Index for All Urban Consumers (as published by the Bureau of Labor Statistics of the Department of Labor).”

(g) Paragraph (2) of subsection (l) of §216, 42 U.S.C. §416(l)(2), defining “early retirement age” is revised to read as follows:

The term “early retirement age” means, in the case of an old-age, wife’s or husband’s insurance benefit: (i) with respect to an individual born before January 1, 1960, age 62; and (ii) with respect to an individual born after December 31, 1959, the retirement age provided in paragraph (1), minus five years. In the case of a widow’s or widower’s insurance benefit, it means: (i) prior to January 1, 2025, age 60; and (ii) after December 31, 2024, age 63.

(h) A new paragraph (4) is added to subsection (l) of §216, 42 U.S.C. §416(l), defining “late retirement age” as follows:

The term “late retirement age” means: (i) with respect to an individual born before January 1, 1961, age 70; and (ii) with respect to an individual born after December 31, 1960, retirement age (as provided in paragraph (1)) plus three years.

(i) A new paragraph (5) is added to subsection (l) of §216, 42 U.S.C. §416(l), defining “life expectancy adjusted retirement age” as follows:

The term “life expectancy adjusted retirement age” means the retirement age, rounded to the closest half-year, that produces the same ratio of years of coverage in the applicable determination year, based on life expectancy as age 65, as the percentage of years of coverage during the year 2036, based on life expectancy at age 65, produced. For these purposes, the ratio of years of coverage equals the number of years of life for which benefits are anticipated to be received based on life expectancy at age 65, divided by total years anticipated to live (based on life expectancy at age 65). The first applicable determination year is 2039, and each tenth anniversary thereof will be a new determination

year. The life expectancy adjusted retirement age will be effective on the first day of January of each decade, beginning on January 1, 2040, and it will remain constant throughout the decade. The amount will be announced at least six months prior to the January 1<sup>st</sup> of each decade, beginning with the decade starting January 1, 2040. Life expectancy will be determined by the Secretary of Health and Human Services, or any successor thereto.

(j) Paragraph (1) of subsection (a) of §226, 42 U.S.C. §426(a)(1), relating to eligibility age for Medicare Part A, is revised to read as follows:

has: (i) with respect to an individual born before January 1, 1960, attained the age of 65; and (ii) with respect to individuals born after December 31, 1959, attained retirement age (as defined in §216(l)), and

(k) Paragraph (1) of subsection (b) of §226, 42 U.S.C. §426(b)(1), relating to eligibility age for Medicare Part A, is revised to read as follows:

has: (i) with respect to an individual born before January 1, 1960, not attained the age of 65; and (ii) with respect to individuals born after December 31, 1959, not attained retirement age (as defined in §216(l)), and

(l) In paragraph (2) of subsection (b) and subsection (e) of §226, 42 U.S.C. §426(b)(2) and (e), “age 65” is replaced with “age 65 (or, for individuals born after December 31, 1959, retirement age (as defined in section 216(l)))” each place that it appears.

(m) Effective on January 1, 2025, in subsection (e) of §226, 42 U.S.C. §426(e), “age 50” is replaced with “age 53” each place that it appears.

(n) Effective on January 1, 2025, in subsection (e) of §226, 42 U.S.C. §426(e), “age 60” is replaced with “age 63” each place that it appears.

(o) Subsection (2) of §1836, 42 U.S.C. §1395o(2), relating to eligibility age for Medicare Part B, is revised to read as follows:

has: (i) with respect to an individual born before January 1, 1960, attained the age of 65, is a resident of the United States, and is either (A) a citizen or (B) an alien lawfully admitted for permanent residence who has resided in the United States continuously during the 5 years immediately preceding the month in which he applies for enrollment under this part; or (ii) with respect to individuals born after December 31, 1959, attained retirement age (as defined in §216(l)), is a resident of the United States, and is either (A) a citizen or (B) an alien lawfully admitted for permanent residence who has resided in the United States continuously during the 5 years immediately preceding the month in which he applies for enrollment under this part.

The Code is amended as follows:

(a) Effective January 1, 2022, the first sentence of subsection (b) of Code §105 is revised to read as follows:

Except in the case of amounts attributable to (and not in excess of) deductions allowed under section 213 (relating to medical, etc. expenses) for any prior tax year, gross income does not include amounts referred to in subsection (a) if: (i) such amounts are paid, directly or indirectly, to the taxpayer to reimburse the taxpayer for expenses incurred by him for the medical care (as defined in section 213(d)) of the taxpayer, his spouse, his dependents (as defined in section 152, determined without regard to subsections (b)(1), (b)(2), and (d)(1)(B) thereof), and any child (as defined in section 152(f)(1)) of the taxpayer who as of the end of the taxable year has not attained age 27; and (ii) such coverage is provided under a high deductible health plan (as defined in section 223(c)(2)).

(b) Effective January 1, 2022, subsection (a) of Code §106 is revised to read as follows:

Except as otherwise provided in this section, gross income of an employee does not include employer-provided coverage under an accident or health plan that is a high deductible health plan (as defined in section 223(c)(2)).

(c) Effective January 1, 2022, subparagraph (A) of paragraph (2) of subsection (c) of Code §223 is revised by: (a) placing “except as provided in clause (iii),” at the beginning; (b) elimination of the word “and” after clause (i); (c) replacement of the period at the end of the subparagraph with “, and”; and (d) addition of the following clause at the end: (iii) the co-insurance percentage (which must be paid by the consumer) is not less than 25 percent until the limit of clause (ii) is attained, provided that the annual deductible may be any amount less than then amount specified in clause (i) if the co-insurance percentage is never less than 50 percent until the limit of clause (ii) is attained. -END-