

IMMIGRATION, MEDICARE, AND FISCAL CRISES IN AMERICA

**ARE AMNESTY AND NATIONAL
HEALTHCARE SUSTAINABLE?**

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EXECUTIVE SUMMARY

The United States is on the brink of a fiscal crisis due to unsustainable federal spending, with the national debt surpassing \$35 trillion. At the heart of the issue lies the impending insolvency of mandatory programs like Medicare and Social Security, driven by demographic changes and healthcare cost inflation. Adding to this challenge is a sharp increase in illegal border crossings since 2017, with an estimated 11 to 12.5 million migrants now in the U.S. who are not directly contributing to Medicare through their paychecks and are not eligible for benefits. Meanwhile, some leading national politicians have proposed expanding and transforming the existing Medicare program into a European-style, single-payer healthcare system known as “Medicare for All,” including illegal immigrants. The impending insolvency of Medicare under current law by 2036 and the resulting strain on the healthcare system raise concerns about whether the politically contentious proposals of amnesty for all and a national single-payer healthcare system are fiscally and economically sustainable.

Amnesty for illegal aliens could impose a significant burden on the U.S. healthcare system and taxpayers. Given an estimated 90% of illegal immigrants here are under 55, and the current requirement that ten years of payments be made to the system to be eligible for Medicare today, many of them would pay payroll taxes to the program, and many will receive benefits from it. With a net present value cost of about \$163,650 per person on Medicare, **granting amnesty under the current Medicare system could have an aggregate cost of at least \$1.8 trillion over time as illegal immigrants retire and begin receiving benefits.** Given that most of them today are younger than 55 years old, they would receive Medicare benefits if given legal status. In this way, the \$1.8 trillion estimate would represent the sum cost of every illegal immigrant's first ten years receiving benefits. Further, Medicare for All, which would nationalize healthcare and shut down private health insurance companies to form a single-payer system run by the federal government, could cost \$44 trillion, with **\$2 trillion of those costs from newly legalized immigrants.**

While immigration has many short- and long-term economic benefits for the U.S., especially for younger and higher-skilled workers, the short-term costs of incorporating millions of people into Medicare could accelerate its insolvency without other reforms. This paper argues for fiscal sustainability and block grants to states to address the federal spending crisis. Without major reforms to fiscal and immigration situations, amnesty and Medicare for All risk bankrupting the country.

INTRODUCTION

The U.S. faces multiple overlapping crises: high healthcare costs, an aging population, and unsustainable federal spending. Two policy issues—immigration reform and Medicare (and Social Security but not addressed in this paper) sustainability—are at the heart of these challenges. Both policies have far-reaching economic and fiscal stability implications.

There has been a dramatic increase in illegal immigration during the Biden-Harris administration. With nearly 10 million encounters of many of the same people along the U.S.-Mexico border in recent years, the number of illegal immigrants in the U.S. was estimated to be 11 million in 2022, with possibly an additional 1.5 million since then to 12.5 million ([Customs & Border Protection, 2024](#); [Pew Research Center, 2024](#); [Department of Homeland Security, 2024](#)). This has raised concerns about how such an influx of people will affect healthcare systems, social services, federal budget, and the economy. Meanwhile, Medicare, which provides health insurance to over 66 million Americans aged 65 or older or on disability, is projected to be insolvent by 2036 ([Centers for Medicare & Medicaid Services, 2024](#)). This means the Medicare program could not make the full expected healthcare-related payments for recipients unless substantial reforms were implemented.

The debate surrounding these issues is critical for understanding the future of U.S. policy. Kamala Harris, the Democrat presidential candidate, has advocated for Medicare for All and amnesty, policies that would exacerbate the spending crisis. In contrast, Donald Trump, the Republican presidential candidate, has supported stricter immigration laws, though he has yet to propose a solution to Medicare's looming insolvency ([Pierson, 2024](#)). As these policy debates unfold, the central question becomes whether the U.S. can expand social services while granting amnesty without tipping into fiscal catastrophe.

MEDICARE'S FISCAL CRISIS: ECONOMIC REALITIES AND POLITICAL PROPOSALS

The fiscal outlook for Medicare, a pay-as-you-go program with a large unfunded liability, is increasingly bleak. The program is funded by a 2.9% payroll tax, split between employers and employees, but this cost falls on people regardless. As the population ages and the workforce shrinks, this revenue stream from current workers has become insufficient to pay for the cost of payments for current recipients' healthcare expenses over time. The worker-to-recipient ratio has dropped from 4-to-1 in 1965 to near 2-to-1 today ([Centers for Medicare & Medicaid Services, 2024](#)). This means fewer workers contribute to fund payments for many Medicare recipients, putting tremendous pressure on Medicare's finances and the economy from the potential for higher taxes and payment cuts.

The Inflation Reduction Act of 2022 (IRA) was partly passed to address healthcare cost inflation. However, the IRA's price controls on prescription drugs have had the opposite effect, and the overall price tag to taxpayers for the IRA has soared from \$391 billion to at least \$1.2 trillion for a green energy and healthcare spending bill ([Ginn, 2023](#)). Rather than lowering healthcare costs, the policy has led to higher premiums for Medicare beneficiaries and reduced funding for new drug development. In 2024, Medicare Part D premiums rose by 21% and are projected to rise by another 50% in the coming years ([Ginn, 2024a](#)). Additionally, nearly 100 prescription drug plans have exited the market, limiting choice for seniors and driving up out-of-pocket costs. The failures of the IRA demonstrate that government intervention in healthcare markets often leads to unintended consequences. Instead of lowering costs, the IRA has introduced inefficiencies, reduced competition, and increased costs for Medicare recipients. These unintended consequences, compounded by Medicare's long-term structural issues, underscore the need for major reform. Without changes, the U.S. will be forced to make difficult choices about maintaining healthcare for seniors while balancing the fiscal realities of a growing national debt.

Sound economics underscores the inefficiencies of a government-run program like Medicare. Milton Friedman often pointed out the dangers of such systems, explaining how government involvement in healthcare distorts prices, reduces

competition, and inflates costs: "Nobody spends somebody else's money as carefully as he spends his own" (Friedman, 1975). Medicare, as a government program, is inherently inefficient because it divorces the patient from the doctor, leading to overutilization and a lack of market discipline. The Congressional Budget Office (CBO) projects that federal debt held by the public will rise to 122.4% of GDP by 2034, largely driven by entitlement programs like Medicare and Social Security ([Swagel, 2024](#)). Without significant reforms, Medicare will be unable to meet its expected payments to recipients by 2036, as it currently has an estimated tens of trillions of dollars in unfunded liabilities, forcing steep cuts in payments or massive tax increases to sustain expected payments.

Government spending on healthcare accounts for \$4.8 trillion annually, with a significant portion consumed by administrative costs ([Ginn & Waldman, 2024](#)). Many of these expenses are tied to the regulatory complexity and bureaucratic management that Friedman often warned against. Administrative costs inflate the price of healthcare while failing to improve patient outcomes. By eliminating the private sector's role in healthcare, proposals like Medicare for All would exacerbate these inefficiencies, driving higher costs without solving the underlying problems.

Vice President Kamala Harris's previously proposed Medicare for All, which aims to provide national health insurance at taxpayers' expense, could have a net cost of nearly \$44 trillion over the next decade when the national debt is already expected to increase by at least \$20 trillion ([Parente & Merkel, 2024](#); [Swagel, 2024](#)). This staggering price tag reflects the cost of expanding health insurance coverage to all U.S. citizens and undocumented immigrants and the massive administrative and operational inefficiencies accompanying government-controlled systems. In contrast, Donald Trump has advocated preserving Medicare for U.S. citizens, arguing that expanding the program to include immigrants would further strain an already fragile system ([Pierson, 2024](#)). But Trump does not have a proposal yet to address the upcoming insolvency of Medicare in 2036 but could make the situation worse by running large budget deficits from excessive spending.

THE ECONOMICS OF IMMIGRATION AND AMNESTY: SHORT-TERM COSTS VS. LONG-TERM BENEFITS

According to the Congressional Budget Office (CBO), from 2021 to 2026, net immigration into the United States is projected to increase by 8.7 million people beyond historical trends. This surge in immigration is expected to raise the nation's nominal GDP by \$8.9 trillion, or 2.4%, between 2024 and 2034. Furthermore, federal revenues are projected to increase by \$1.2 trillion during this period, contributing to a net deficit reduction of \$0.9 trillion. However, due to the increased population, this economic boost comes with higher federal spending of \$0.3 trillion on mandatory programs, including Medicare and Social Security ([Swagel, 2024](#)).

The population of unauthorized immigrants residing in the U.S. has remained relatively stable at around 11 million for several years. However, due to the surge in entries at the Southwest border and temporary protections granted under programs such as Temporary Protected Status (TPS) and humanitarian parole, the population may now be closer to 12.5 million as of 2024 ([Pew Research Center, 2024](#); [Department of Homeland Security, 2024](#)). While higher-skilled, working-age immigrants contribute positively to the economy and can support higher payroll taxes, older immigrants typically impose significant fiscal burdens on programs like Medicare ([Di Martino, 2024](#)). The potential fiscal costs of granting amnesty to illegal immigrants are vast and multifaceted. Amnesty, or legalization of illegal immigrants without going through the arduous immigration process, like people legally here from other countries, would likely result in a significant increase in the number of individuals eligible for social services, including Medicare. The estimated cost of providing Medicare for All to newly legalized immigrants is at least a net present cost of \$1.8 trillion for the estimated 11 million illegal immigrants here now from 2026 to 2035, or about an average of \$163,650 per recipient, but likely closer to \$2 trillion with more recent entrants ([Parente & Merkel, 2024](#)). With an estimated 90% of those here illegally being under 55, the current Medicare program requires ten years of paying payroll taxes to the program to receive benefits from it, the aggregate cost to taxpayers of the Medicare program could be \$1.8 trillion over time, as illegal immigrants retire ([Statista, 2024](#)).

Given Medicare's current fiscal instability, a sound economic approach would caution against such a policy. Allowing millions of new recipients into an already overburdened Medicare system could increase the financial strain and accelerate the program's insolvency. Friedrich Hayek warned about the consequences of government overreach, arguing that expanding government programs often leads to unintended consequences and economic inefficiency: "The more the state 'plans,' the more difficult planning becomes for the individual" (Hayek, 1944). That said, immigration can provide substantial economic benefits, particularly when immigrants are integrated into the workforce and contribute to the economy. Research shows that younger immigrants contribute to fiscal and economic situations, particularly in the second and third generations ([Nowrasteh, 2024](#)). Immigrants often fill crucial labor shortages, especially in industries like agriculture, construction, and technology, where native-born Americans are less likely to work. These economic contributions can help offset some of the costs associated with immigration. This is especially true for younger, higher-skilled immigrants with substantially higher economic benefits. Daniel Di Martino (2024) of the Manhattan Institute recently noted,

“Looking at immigrants more broadly, this report shows that the average new immigrant (lawful or unlawful) has a positive fiscal impact and reduces the federal budget deficit by over \$10,000 during his lifetime. For comparison, the average native-born citizen is expected to cost over \$250,000 to the federal government. Despite the average immigrant reducing the budget deficit, immigrants without a college education and all those who immigrate to the U.S. after age 55 are universally a net fiscal burden by up to \$400,000. The large positive fiscal impact of young and college-educated immigrants pulls up the overall average. Each immigrant under the age of 35 with a graduate degree reduces the budget deficit by over \$1 million in net present value during his lifetime.”

However, the economic benefits of immigration must be balanced against the short-term costs and the rule of law. The U.S. is a sovereign country with borders and legal processes for entry and citizenship. While immigration can support more economic growth, it is essential to maintain the integrity of the legal system and avoid incentivizing illegal entry, which undermines the rule of law and imposes

costs on taxpayers. Milton Friedman (1978) once remarked, "You cannot simultaneously have free immigration and a welfare state." This quote encapsulates the dilemma faced by the U.S. today: keeping or expanding social programs like Medicare while granting amnesty would create a fiscal and political conundrum. The tradeoff is clear: while some sectors of the economy benefit from immigrant labor, the costs to the public purse—particularly for social services like Medicare—are likely immense in the near term.

MEDICARE FOR ALL: A PATH TO FISCAL COLLAPSE?

Vice President Kamala Harris's past proposal for Medicare for All would impose an unsustainable financial burden on the U.S. The program could have an estimated net cost of \$44 trillion over the next decade, including expanding healthcare coverage to millions of newly legalized immigrants ([Parente & Merkel, 2024](#)). By centralizing healthcare under the federal government, the proposal would lead to inefficiencies, driving up costs while reducing the quality of care for patients. Friedman famously criticized government intervention in markets, warning that it leads to higher costs and reduced quality. "The great advances of civilization," Friedman once wrote, "have never come from centralized government" (Friedman, 1962). Under Medicare for All, medical productivity is projected to decline by 22% by 2035, meaning fewer healthcare services would be available to meet growing demand ([Parente & Merkel, 2024](#)).

The financial impact of this plan would be devastating, especially if millions of newly legalized immigrants were added to the system and not paying payroll taxes. The centralization of healthcare would stifle competition, reduce innovation, and ultimately harm the people it intends to help.

POTENTIAL REFORMS TO ADDRESS IMMIGRATION, MEDICARE, AND FISCAL ISSUES

To address the fiscal crises and other issues related to immigration, Medicare, and overall healthcare spending, key market-based reforms should be considered:

- **Sustainable Budgeting:** Federal spending exceeded \$6 trillion in 2024, with mandatory programs such as Medicare and Social Security accounting for at least half of the budget (Ginn, 2024b). To restore fiscal sustainability, federal spending should be cut, and future spending should be capped to a maximum of the rate of population growth plus inflation. The federal debt has ballooned to over \$35 trillion, and net interest payments on the debt now exceed \$1 trillion annually, more than the amount for national defense and other major programs. Fiscal reforms, including changes to Medicare, are essential to balancing the federal budget. A strong federal spending limit, capping annual spending growth at a maximum rate of population growth plus inflation, similar to Colorado’s Taxpayer’s Bill of Rights (TABOR), would help restore fiscal sustainability and prioritize necessary reforms (Ginn & Murrey, 2023). Ultimately, if economic growth can be increased by just one percentage point annually while holding government spending growth to no more than 1%, the federal budget could be balanced by 2032 (Ginn, 2024b).
- **Work Requirements and Block Grants to States for Social Programs:** Expanding work requirements and block grants to states for government social programs, like Medicaid, would better ensure that native-born and foreign-born recipients contribute economically. Implementing work requirements for these programs would support increased self-sufficiency and reduce dependency on taxpayer-funded programs. Reducing dependency on government programs is not just about economic efficiency—it’s about preserving individual dignity and freedom. As Thomas Sowell has argued, “The welfare state is not really about the welfare of the masses. It is about the egos of the elites” (Sowell, 1995). By encouraging self-reliance and reducing reliance on government handouts, the U.S. can create a more dynamic, prosperous society where individuals can make their economic decisions.

- **Visa Auctions and Market-Driven Immigration Reform:** Given that the humanitarian crisis along the U.S.-Mexico border was brought under control, a reform could involve pricing visas based on economic demand, ensuring that immigrants contribute to the economy while helping alleviate labor shortages. By pricing visas based on economic demand through auctions for domestic employers, the U.S. could provide a better framework for immigration flows and ensure immigrants legally contribute to the economy and federal budget ([Orrenius & Zavodny, 2024](#); [Vedder, 2015](#)). For example, higher visa fees could be charged for low-skilled workers in sectors like agriculture, while lower fees could be offered for highly skilled workers in fields like technology. This auction-based, merit-based approach would ensure that immigrants contribute to the U.S. economy without overburdening social programs like Medicare. An approach like this appears compatible with suggestions made by Donald Trump to associate visas with the completion of advanced degrees in the U.S. ([WSJ, 2024](#)) and a merit-based legal immigration system ([White House, 2019](#)).

CONCLUSION

The U.S. faces significant fiscal challenges due to the unsustainable costs of mandatory programs, rising federal debt, and the potential for even greater spending through amnesty and Medicare for All proposals. While immigration is vital for the country's economic growth, it must be managed within the context of fiscal sustainability.

Amnesty for millions of people, particularly if it leads to their inclusion in Medicare and other social programs, could accelerate the insolvency of these systems. With its projected price tag of \$44 trillion, including about \$2 trillion for illegal immigrants over the next decade, Medicare for All could push the country further toward bankruptcy, leaving fewer resources for future generations. However, the cost to taxpayers of amnesty under the current Medicare program could be an aggregate cost of at least \$1.8 trillion over time, as illegal immigrants retire, as 10% of them likely would not be eligible because they are estimated to be 55 or older but the other 90% would later. Meanwhile, the failures of the Inflation

Reduction Act show that government intervention and price controls often lead to increased costs and reduced competition.

To avoid a fiscal catastrophe, the U.S. must reform its immigration system, implement spending limits, and restructure mandatory programs like Medicare. The country can preserve its economic future while maintaining necessary social services by passing sustainable budgets, moving to block grants to states for social programs, and passing market-based visa auctions. The path forward requires sound economic principles, reduced government intervention, and greater individual liberty to ensure Americans' stable and prosperous future.

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