

Notes on Social Security Reform

Occasional comments on the economics and politics of Social Security policy by Andrew Biggs.

THURSDAY, MARCH 17, 2011

Gokhale and Schoenbrod : OMB must release budget numbers

The Cato Institute's Jagadeesh Gokhale and AEI's David Schoenbrod [write](#) for *Politico* that the White House should release the data behind its long-term budget projections:

President Barack Obama says he wants an "adult conversation" about the budget. He also wrote that the "administration is committed to creating an unprecedented level of openness in government." This commitment was in his first official action as president: a memorandum on "transparency and open government."

Yet the White House's Office of Management and Budget is keeping secret the detailed and long-term budget projections and parameters that it uses to forecast the deficit in future years, unlike the previous administration--which divulged this information yearly.

I think they have a point. Last year, [I argued](#) that - for the first time - OMB was ignoring the health care cost growth estimates made by the Medicare actuaries and trustees in favor of numbers that favored their arguments for health reform. The FY 2011 budget assumed that Medicare costs would grow at a rate 2 percent faster than GDP, versus the Medicare Trustees figure of "GDP plus 1." The FY 2012 budget assumes a Medicare growth rate of GDP plus 0.3 percent, far lower than the historical rate. This obviously results in a far more favorable long-term picture.

There's a difference between these two numbers, however: the first is essentially an estimate of the growth of health costs in the economy as a whole, which is then projected onto Medicare to determine the increase in program outlays. The second, lower cost growth estimate is the *result* of constraints placed on Medicare outlays as part of the health care reform act. In other words, it doesn't imply that we've actually solved the problem of rising health costs - that we've "bent the cost curve," as they say - so much as simply assumed that Medicare will no longer pay for them. As the Medicare actuaries have pointed out many times, this leads to significant problems down the road as providers find that Medicare compensation rates won't be sufficient to cover their costs. If providers start refusing to give Medicare coverage - a problem that already occurs for Medicaid recipients - that would *truly* lower costs,

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About me

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I am a Resident Scholar at the American Enterprise Institute in Washington, where my work focuses on Social Security policy. Previously I held several positions within the Social Security Administration, including Deputy Commissioner for Policy and principal Deputy Commissioner.

since retirees wouldn't get the care they need, but I don't think that's what anyone, including the administration is looking for. So in the end, health reform is sure to need to be revisited.

But I think this issue buttresses Gokhale and Schoenbrod's argument for the administration to release more data rather than less. Past administrations have done so and there seems little reason this one should not follow suit.

Posted by Andrew G. Biggs at [9:34 AM](#) 

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Prior to that I was a Social Security Analyst at the Cato Institute. In 2005 I worked on Social Security reform at the White House National Economic Council, and in 2001 I was on the staff of the President's Commission to Strengthen Social Security. My Bachelor's degree is from the Queen's University of Belfast, Northern Ireland. I have Master's degrees from Cambridge University and the University of London and a Ph.D. from the London School of Economics and Political Science. I can be contacted at andrew.biggs@aei.org.

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