

Morning Bell: CBO Deals Another Crushing Blow to Obamacare

Posted By [Conn Carroll](#) On July 27, 2009 @ 9:38 am In [Health Care](#) | [12 Comments](#)

For the second time in less than two weeks, the independent and non-partisan Congressional Budget Office (CBO) has dealt a crushing blow to President Barack Obama's health care plans. First, on July 17th, CBO director Doug Elmendorf sent a [letter](#) ^[1] to House Ways and Means Chairman Charlie Rangel (D-NY), explaining that, in direct contradiction to President Obama's promise that his health plan would not add ["even one dime to our deficit over the next decade,"](#) ^[2] [the House health plan would actually increase the budget deficit by \\$239 billion over ten years.](#) ^[3]

Reeling from this setback, the White House then put all of its cost-containing reform eggs in one basket: a massive transfer of power from Congress to the Executive branch in the form of an "Independent Medicare Advisory Council" (IMAC) that would be ["the equivalent of a federal health board determining how health care was rationed for all seniors."](#) ^[4]

But as draconian as that solution would be, the CBO again refused to toe the White House line. In a [letter](#) ^[5] to Majority Leader Steny Hoyer (D-MD), Elmendorf writes:

The proposed legislation states that IMAC's recommendations cannot generate increased Medicare expenditures, but it does not explicitly direct the council to reduce such expenditures nor does it establish any target for such reductions. ... As proposed, the composition of the council could be weighted toward medical providers who might not be inclined to recommend cuts in payments to providers or significant changes to the delivery system. ... In CBO's judgment, the probability is high that no savings would be realized ... CBO estimates that enacting the proposal, as drafted, would yield savings of \$2 billion over the 2010-2019 period.

Just \$2 billion! That would leave the House bill still \$237 billion short of meeting Obama's promise to not add a dime to the deficit over the next ten years. Put another way, that \$2 billion in savings is two tenths of one percent of what Obama wants to spend on health care over the next ten years. Now Democrats are pushing back against the CBO, claiming the official scorekeeper just doesn't understand how wonderful their cost containment schemes really are. One senior House leadership aide told The Hill: "At CBO, they are accountants, but we still have to make our case. They are doing their thing and we are doing ours."

Now Americans may ask, just how accurate is the CBO when scoring the costs of health care reform? Does the CBO have a track record of underestimating how much new health care entitlements will cost? Or is the CBO too conservative, often overestimating new health care spending? Scholars at the CATO Institute went back and [compared past CBO estimates on health care to actual spending numbers and found](#) ^[6]:

When Medicare was launched in 1965, Part A was projected to cost \$9 billion by 1990, but ended up costing \$67 billion. When Medicaid's special hospitals subsidy was added in 1987, it was supposed to cost \$100 million annually, but it already cost \$11 billion by 1992. When Medicare's home care benefit was added in 1988, it was projected to cost \$4 billion in 1993, but ended up costing \$10 billion.

History clearly shows that the costs of new health care entitlements are routinely underestimated. And what would Americans be getting for their \$2 billion in savings from IMAC? The Washington Post's David Broder [wrote yesterday:](#) ^[7]

But Congress will have to decide if it is willing to yield that degree of control to five unelected IMAC commissioners. And Americans will have to decide if they are comfortable having those commissioners determine how they will be treated when they are ill.

Huge cost estimates that are likely underestimated in exchange for a federal health board deciding the terms of your personal health care is not the reform people were expecting. But more importantly, if the Obama administration can't trust a federal office to properly score their bill, how is

it they trust a similar office to decide which medical treatments you receive?

Quick Hits:

- Speaker Nancy Pelosi (D-CA) said on CNN's [State of the Union](#) ^[8] on Sunday that the House health care bill "is a stimulus package."
- Mere weeks after claiming Obama's \$787 billion stimulus plan was "[an initial big jolt to give the economy a real head start](#)," ^[9] Vice President Joe Biden is now claiming the stimulus plan is misunderstood, writing in [Sunday's New York Times](#) ^[10]: "the Act was intended to provide steady support for our economy over an extended period — not a jolt that would last only a few months."
- In a significant change, the [Obama administration will now allow lobbyists](#) ^[11] to meet and have telephonic discussions with government officials regarding his \$787 billion stimulus plan.
- A minority report by the House Oversight and Government Reform Committee investigates whether ACORN is "[Intentionally Structured As a Criminal Enterprise?](#)" ^[12]
- [Today's Featured Guest Blogger on the Foundry](#) ^[13]: Congressman Pete Olsen (R-TX) on the burdensome effect of last week's minimum wage increase.

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URLs in this post:

[1] letter: <http://www.cbo.gov/ftpdocs/104xx/doc10464/hr3200.pdf>

[2] "even one dime to our deficit over the next decade,": http://hotlineoncall.nationaljournal.com/archives/2009/07/obama_health_ca_1.php

[3] the House health plan would actually increase the budget deficit by \$239 billion over ten years.: <http://blog.heritage.org/2009/07/20/don%E2%80%99t-be-fooled-house-health-care-bill-would-raise-long-term-deficits/>

[4] "the equivalent of a federal health board determining how health care was rationed for all seniors.": <http://www.heritage.org/Research/HealthCare/wm2507.cfm>

[5] letter: <http://www.cbo.gov/ftpdocs/104xx/doc10480/07-25-IMAC.pdf>

[6] compared past CBO estimates on health care to actual spending numbers and found: http://www.cato.org/pubs/tbb/tbb_0609-57.pdf

[7] wrote yesterday:: <http://www.washingtonpost.com/wp-dyn/content/article/2009/07/24/AR2009072402079.html>

[8] State of the Union: http://www.politico.com/blogs/politicalive/0709/Pelosi_Health_bill_is_stimulus_package.html?showall

[9] "an initial big jolt to give the economy a real head start,": http://www.whitehouse.gov/the_press_office/Opening-Remarks-by-the-Vice-President-at-the-Business-Leaders-Roundtable-on-the-Recovery-Act/

[10] Sunday's New York Times: <http://www.nytimes.com/2009/07/26/opinion/26biden.html>

[11] Obama administration will now allow lobbyists: <http://thehill.com/leading-the-news/white-house-eases-stimulus-lobbyist-restrictions-2009-07-25.html>

[12] "Intentionally Structured As a Criminal Enterprise?": <http://www.capitalresearch.org/blog/wp-content/uploads/2009/07/7-23-09-ogr-acorn-report.pdf>

[13] Today's Featured Guest Blogger on the Foundry: <http://blog.heritage.org/2009/07/24/guest-blogger-congressman-pete-olson-r-tx-on-the-increase-in-minimum-wage/>

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