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Mis-Underestimating the Cost of Health Care "Reform"

[Ronald Bailey](#) | July 15, 2009, 11:06am

Yesterday, the House of Representatives introduced its health care "reform" legislation that is supposed to cost just a \$1 trillion over the next 10 years, according to the most recent Congressional Budget Office (CBO) estimate. The Obama administration and the Democratic leadership in Congress have promised to pass health care "reform" legislation only if it is completely paid for. To achieve this, the House Democrats plan to soak the rich with a surtax on incomes over \$350,000 per year (\$500 billion) and by imposing even lower Medicare reimbursement rates on hospitals and doctors. Of course, these new taxes and rationing schemes will only "pay for" health care "reform" if the CBO estimates are right.



Unfortunately, as the Cato Institute's Michael Tanner and Chris Edwards point out, the CBO and other agencies have a history of [wildly underestimating](#) future government medical program expenditures:

A further concern is that initial cost estimates of federal health programs are usually very optimistic. 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. Or consider that when Massachusetts Commonwealth Care was put into place in 2006, it was expected to cost about \$725 million annually, but the expected cost for 2009 is now almost \$1 billion.

To say the least, past cost estimates that are off by more than 500 percent do not inspire confidence in the accuracy of the new estimates.