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Guest column: Time to stop and determine the true cost of health plan

By Kevin Ferris

The bizarre comments last week likening opponents of health-care reform to slavery advocates are understandable in at least one respect.

The speaker, Senate Majority Leader Harry Reid, D-Nev., wants to avoid discussing the true costs of reform, which will easily exceed the Democrats' 10-year, $1 trillion estimate.

The real cost for Reid's plan to cover about 30 million more Americans is between $2.5 trillion and $6 trillion. (The latter estimate is from Michael F. Cannon of the Cato Institute; see the math below.) That's not just a Cadillac plan. That's Elvis Presley giving away a gold-plated Cadillac to his buds (constituents) because he doesn't know what else to do with all that money.

President Obama and his fellow Democrats don't quite have all that money — yet — but they know where to get it.

You.

State taxpayers (also you).

Federal taxpayers (hmmm, you again).

Start with the feds, and the $500 billion in what Cannon calls "explicit tax increases," which include upping the Medicare tax on wages above $200,000, and additional hikes on patients with high out-of-pocket costs, on flexible-spending and health-savings accounts, on medical devices and prescription drugs, on high insurance premiums, on cosmetic surgeries.

Then there's what Cannon calls "a tax increase waiting to happen." The Senate plan calls for almost $500 billion in cuts from Medicare. Democrats have already tried some sleight of hand on Medicare "cuts," promising to slash physician payments by $210 billion in one bill but restoring them in another. Expect similar trickery — or tax hikes — on the $500 million.

The states, to use the technical term, are screwed. State revenues were already down 7.5 percent in fiscal year 2009, according to the most recent Fiscal Survey of States. They won't return to 2008 levels for five or six years, says a report from the National Governors Association (NGA). Yet Medicaid spending — about 22 percent of state budgets — was up 7.9 percent in fiscal 2009. And such recession-driven increases usually continue for two years after a downturn ends.

As the NGA report stated, "With states having entered the recession in 2008, revenue shortfalls persisting into 2014, and a need to backfill deferred investments into core state functions, it will take states nearly a decade to fully emerge from the current recession."

Longer, if Democrats have their way. The Senate was already calling for adding 17 million more people to the Medicaid rolls, at a cost to states of about $25 billion. But that could increase even more dramatically if lawmakers make Medicare or Medicaid the new "public option." Passing the buck makes sense for Washington. Why reimburse at a higher federal rate, ala Medicare, when reimbursing at the lower Medicaid rate, squeezing states and their taxpayers, would save the feds money?

States have already increased taxes by about $24 billion for 2010, the NGA says, and were saved from having to do more by the $135 billion in stimulus money allotted for Medicaid and education expenses. But more budget shortfalls are forecast, and the stimulus money runs out next December. The NGA warns, “States must plan for the serious cliff in revenues they will face at that time.”

Now comes your part — the off-budget individual mandates to buy health insurance — which of course are in addition to your share as state and federal taxpayers.

Cannon says these costs actually balloon health-care reform into a $6 trillion package over 10 years. Six, S-I-X. Here’s how he gets there:

The Democrats’ $1 trillion figure comes from a 2010-2019 projection that is really a six-year estimate because expenses don’t start until 2014. (Republicans tried the same gimmick with the Medicare prescription-drug benefit.) Rework the numbers for the first 10 years of actual costs, as Sen. Judd Gregg, R-N.H., has done, and the figure rises to $2.5 trillion. But that’s just 40 percent of the cost, Cannon says.

The other 60 percent comes from the individual mandates — not currently counted as government revenue or expense because you’ll pay an insurer, or an exchange, or some public option entity directly. That’s another bit of sleight of hand, Cannon says, that wasn’t allowed when the Clinton health-care plan was scored in the early ’90s.

At that time, the Congressional Budget Office said the individual mandates were 60 percent of the overall plan. Cannon estimates a similar percentage for the health-care program Massachusetts enacted in 2006.

So Cannon takes the $2.5 trillion (40 percent), adds $3.5 billion (60 percent), and comes up with a $6 trillion price tag.

He admits it’s a guess. And if he’s wrong, his numbers should be easy enough to refute. Have the CBO score the entire Senate bill — both on-budget expenses and off. Let senators and taxpayers see the real cost — before a vote is taken. Then decide what the nation can afford.