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Health Care Reform Vital to Solving Long-Term Budget Problem, Top White House Economist Says

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By Fred Lucas, Staff Writer

(CNSNews.com) – Overhauling the health care system is the “most significant act” the federal government can take to reduce federal spending and the federal deficit, President Obama’s top economic adviser told a liberal think tank on Monday.

That view partly conflicts, however, with a Congressional Budget Office analysis of the House health care bill showing the legislation would cost \$1 trillion over the next decade. Further, conservative critics said that you cannot mandate and expand a service and not expect its costs to go up.

In a speech at the Center for American Progress on Monday, Christina Romer, chairwoman of the White House Council of Economic Advisers, said: “Given the central role of rising health care expenditures, any solution to our long-run budget problem will simply have to include slowing the growth rate of health care costs.”

“Some have argued that it is irresponsible to reform our health care system at a time when the budget deficit is so large and our long-run fiscal problems are so severe,” said Romer. “I firmly believe the opposite. It is fiscally irresponsible not to do health care reform.”

Since Obama took office, the federal deficit increased to a record \$1.417 trillion, according to the U.S. Department of Treasury. That is three times higher than the previous record in 2008 of \$458 billion under the George W. Bush administration. Meanwhile, the national debt has increased by \$1.3 trillion since Obama took office in January.

Still, Romer blamed the Bush administration for the fiscal mess in which the government now finds itself. She said that “half of the long-run deficit is due to the policy actions of the past eight years.”

Some variation of a health care overhaul proposal has cleared two Senate committees and three House committees.

“Though there is some variation across the different versions of the bills, we are also on track to meet the president’s promise that health reform will not add one dime to the deficit,” Romer said. “The five congressional committees have identified hundreds of billions of dollars of savings in Medicare and Medicaid.”

Obama has insisted that he wants to sign a health care bill that will not add “one dime” to the deficit. However, the Congressional Budget Office (CBO) determined that neither the House version that passed three committees nor one of the Senate versions would be deficit-neutral.

The CBO did find that a Senate Finance Committee bill would reduce the deficit, but the final language of that bill was not released by the committee at the time of the CBO’s analysis. Further, the CBO said that such language

could dramatically affect its analysis and conclusion about the bill's impact on the deficit.

The Senate is in the process of reconciling the Finance Committee bill with the legislation that cleared its Health, Education, Labor and Pensions Committee (HELP).

Concerning that action, in a statement on Monday, Senate Minority Leader Mitch McConnell (R-Ky.) said: "While final details of this bill are still unknown, here's what we do know: It will be a thousand-page, trillion-dollar bill that raises premiums, raises taxes and slashes Medicare for our seniors to create new government spending programs. That's not reform.

"So, wholly aside from the debate over whether the government gets into the insurance business, the core of the proposal is a bill that the American public clearly does not like, and doesn't support," he said.

In general, all of the bills would mandate that employers provide health insurance, that individuals purchase coverage, and that insurance companies cannot refuse coverage to someone with a pre-existing condition.

The primary difference is that the House version and the Senate HELP Committee version would create a government-run insurance plan to compete with private insurers. Meanwhile, the Senate Finance Committee bill would create a "co-op" established by the government to compete with the private market.

The administration's argument that health care reform will reduce federal spending is absurd, said Chris Edwards, an economist with the Cato Institute, a libertarian think tank.

"It is irresponsible to do health care legislation that doesn't cut health care costs," Edwards told CNSNews.com. "These proposals will increase costs and increase the debt."

Calling this deficit-neutral is budgetary game playing," he said. "In the long run, it will absolutely increase government debt. We know that from the historical record of entitlements."

Besides the Bush policies, Romer said the deficit had other causes.

"According to a study by the Center on Budget and Policy Priorities, just 3 percent of the long-run fiscal problem is due to the ARRA," she said, referring to the \$787 billion American Recovery and Reinvestment Act passed earlier this year, better known as the economic stimulus bill.

"The rest of this yawning gap is due to projected rises in spending on entitlement programs, primarily Social Security, Medicare and Medicaid," Romer said. "Some of this is the result of the aging of the population, but the far greater source is the fact that health care costs, both public and private, are rising much faster than GDP."

A Government Accountability Office [report](#) warned that America's long-term fiscal outlook could be "unsustainable" and that, after a decade, "debt held by the public as a percent of GDP" will exceed the ratio during World War II.

Edwards declined to challenge Romer regarding her statement that the economic stimulus had minimal impact on the deficit. Rather, Edwards said the bigger picture is that the Obama administration has not demonstrated any concern about the deficit and the national debt.

"This administration has put no emphasis on reducing the deficit," Edwards said. "They don't seem to care about the long-term implications of their big government policies."

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