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Report: ObamaCare Will Be a Budget Nightmare

The Center for Freedom and Prosperity Foundation today released a paper entitled "Government-Run Health Care Means Higher Deficits and Debt: Realistic Assumptions Show 10-Year Deficits Easily Could Exceed $600 Billion ." Authored by Dan Mitchell of the Cato Institute, the study explains the dangerous fiscal consequences of the House and Senate health care proposals.

The paper notes that if current congressional forecasts are modified to be more realistic, deficits and debt will climb by at least $600 billion – and perhaps more than $850 billion – over the next 10 years if government takes over the health care system. Additionally, the paper examines the history of congressional spending projections and finds that almost all federal health care program over the past 50 years has been under-budgeted.

"We are not talking about trivial errors," said CF&P Foundation President Andrew Quinlan. "Medicare was 10 times more expensive than first forecast and a part of Medicaid cost 17 times more than taxpayers were led to believe. No wonder the American people do not trust Congress and its supposed forecasting experts," added Quinlan.

The paper makes several key observations:

Congressional estimates do not properly measure how people and businesses change their behavior in response to government handouts.

The spending estimates also are far too low because they do not recognize that politicians in the future will be tempted to expand subsidies as part of routine vote-buying behavior, similar to what happened with Medicare and Medicaid.

If revenues and offsets are 25 percent below the forecast and spending is 50 percent higher than estimated (and that almost surely is still too optimistic), the 10-year deficits will be $602 billion to $860 billion higher

The paper also explains that the federal government has a long history of under-budgeting and over-spending on health care programs.

The federal government's ability to predict health care spending leaves much to be desired. When Medicare was created in 1965, the long-run forecasts estimated that the program would cost about $12 billion by 1990. In reality, it cost more than $100 billion that year (and

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now costs $500 billion).

Medicaid was also created in 1965 and was supposed to be a very small program with annual expenditures of about $1 billion. It has now become a huge $250 billion entitlement.
Medicaid's disproportionate share hospital (DSH) program is a sobering example. Created in 1987 to subsidize hospitals with large numbers of Medicaid and uninsured patients, the programs was supposed to cost less than $1 billion in 1992, but the actual cost that year was a staggering $17 billion.

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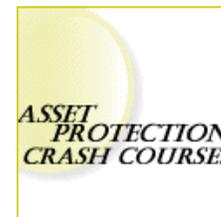
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