



11350 Random Hills Road, Suite 800, Fairfax, Virginia 22030 Phone (703) 934-6101 Fax (703) 352-3678

fff@fff.org www.fff.org

Not another Runaway Entitlement Program **by Jim Powell**

We have had more than seven decades of experience with entitlement programs, since Franklin Delano Roosevelt introduced the first big one in 1935. Now Barack Obama is pushing another big entitlement program — government-run health care. We don't need to rely on his promises, since we can reflect on our experience.

However high the current cost estimates might seem to be, actual costs will turn out to be thousands of times higher. Entitlement spending by its very nature cannot be controlled. Having determined the qualifications for participating in an entitlement program, the government is obligated to pay whoever shows up. If, as often happens, it turns out that more people than expected qualify for an entitlement program and therefore spending exceeds estimates, politically it's almost impossible to stop.

Back in 1935, when Social Security was being debated, nobody talked about billions of dollars of unfunded liabilities. "Trillions" was beyond comprehension. Social Security generates unfunded liabilities because current Social Security payroll taxes go to pay for current benefits, and nothing is set aside to cover future benefits of current taxpayers. FDR's smart advisors assumed that the number of taxpayers would increase as fast as the number of people collecting benefits, but the number of people collecting benefits has grown faster, and now Social Security is going broke.

Recently Social Security Trustees estimated that covering future liabilities would require \$15.1 trillion to be placed in an interest-bearing account *now* — in addition to collecting Social Security payroll taxes. This \$15.1 trillion is bigger than the entire U.S. economy, estimated to have been \$14.2 trillion in 2008. Since there's no way of putting together such an investment portfolio for Social Security, the outlook is bleak.

In 1965, Lyndon Johnson pushed Medicare through Congress. At the time, the best guess was that it would cost \$500 million a year. He thought that paying the bill would be easy, but he was wrong. By 2008, Medicare's annual outlays hit \$468 billion. Medicare has a staggering \$36.4 trillion of unfunded liabilities.

Economist Bruce Bartlett reported that “federal income taxes for every taxpayer would have to rise by roughly 81 percent to pay all of the benefits promised by these programs under current law over and above the payroll tax.” But the burgeoning costs of Social Security and Medicare are piled onto the payroll tax which is already the biggest tax paid by three quarters of Americans. The payroll tax destroys jobs by making it more expensive for employers to hire people. Higher payroll taxes give employers incentives to invest in machines, outsource work, move operations offshore and do anything else that might reduce headcount. Taxes on employees who remain might go up even higher.

Federal outlays for the federal-state Medicaid program have soared from less than \$1 billion annually in 1966 to \$339 billion in 2008, and it’s the biggest item in state budgets.

Since Obama’s government-run health care plan would flush even more money through the health care system, there would be more waste and fraud. This has been going on for years, whether Democrats or Republicans were in charge, because politicians aren’t as careful with other people’s money as they are with their own money. Medicaid paid a dentist who submitted claims for as many as 991 procedures per day. Medicare has sent millions of dollars of payments to phony medical offices. Medicare issued \$4.8 billion of payments for bills that didn’t indicate a diagnosis. Some \$10 billion of reimbursements for medical equipment were bogus. Medicare paid as much as \$92 million to 16,500 dead doctors.

In a desperate effort to cut costs wherever possible, Obama would resort to health care rationing and degrade the quality of health care. Sometimes this means officials would classify procedures as low priority and reduce their availability, and as a consequence patients would have to wait for months. Rationing also means that government-run health insurance wouldn’t cover certain procedures or medications. Non-invasive virtual colonoscopies (CT scans of the abdomen) are reportedly on Obama’s no-no list now.

Reports of terrible government-run health care for veterans makes one even more skeptical about Obama’s plan. The *Cleveland Plain Dealer* cited “doctors not doing their jobs; unsupervised residents rotating in and out of the VA, leaving veterans’ medical care postponed; and death rates for surgery centers that would be unacceptable at any other hospital.” The *Washington Post* won a Pulitzer Prize for its story about “;a vast outpouring of accounts filled with emotion and anger about the mistreatment of wounded outpatients” at Walter Reed Army Medical Center. Although Walter Reed isn’t a VA facility, it became clear that many similar problems occurred at VA facilities. In February 2009, the VA began notifying about 10,700 veterans that they might have been exposed to HIV or hepatitis because of unsterilized colonoscopy equipment.

Why would anybody in his right mind want to have his taxpayer money spent on government-run health care? Indeed, why would anybody want any government involvement in health care at all?

*Jim Powell is policy advisor to the Future of Freedom Foundation and a senior fellow at the Cato Institute. He is the author of **FDR's Folly, Bully Boy, Wilson's War, Greatest Emancipations, The Triumph of Liberty** and other books.*

This article was originally published in May 2009.