

How CBO Director Doug Elmendorf Wrote The Health Care Bill

By: [Jon Walker](#) Wednesday December 16, 2009 3:50 pm



Michael F. Cannon over at the CATO institute is making a lot of hay about the [CBO memo](#) on the minimum medical loss ratio. In the memo where the CBO said it would [magically declare](#) any private insurance market with a mandatory MLR of 90%, instead 85%, a government program for budgetary reasons. Cannon has called the memo a [“smoking gun.”](#)

This weekend, the Congressional Budget Office released “a very strange memo” titled, “Budgetary Treatment of Proposals to Regulate Medical Loss Ratios.” You wouldn’t know it from the title, but that little memo is the smoking gun that shows how congressional Democrats have very carefully hidden more than half the cost of their health care bills.

First, a little history. Like both the House and Senate bills, the Clinton health plan would have mandated that individuals and employers purchase private insurance. In its 1994 score of the Clinton plan, Bob Reischauer’s CBO included those mandated “private” payments in the federal budget — i.e., as federal revenues and federal expenditures.

And yet, none of the CBO scores of this year’s bills include the costs of similar individual/employer mandates as federal revenues or federal spending.

This really is not the smoking gun. The smoking gun was a manual put out by the CBO in May, labeled [“The Budgetary Treatment of Proposals to Change the Nation’s Health Insurance System.”](#) It spelled out exactly how much regulation was “too much” regulation. It explained what was the magical threshold that would cause Doug Elmendorf to declare some private market part of the government budget.

Now, I’m angry about this for different reasons than the CATO institute. I think it is insane that there could be any level of regulation that would make the private market part of the federal budget. Either the money is going through the federal treasury or it is not. I don’t think the the CBO director should have the power to see gray areas on this issue.

More importantly, I don’t think something as important as regulation should be written to trick the CBO. It should be written to produce the best health care system possible, not the best looking CBO score possible.

Either way, this memo, put together by Doug Elmendorf, basically put the absolute limits on what Democrats would even attempt in health care reform. There is no real logic to it, he simply decided what he thought was enough regulation to make something part of the budget. While many people in Congress have worked on health care reform, this memo is how Elmendorf became the true author the the bill’s general shape.