

OUR VIEW: Senate health bill over hyped

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Most of the news stories on the preliminary assessment by the Congressional Budget Office of the Senate Finance Committee's health care proposal verged on ecstatic. It meets President Barack Obama's criteria by costing less than \$900 billion over 10 years (only \$829 billion!). It would cover 94 percent of Americans! And — sound the trumpets — it would reduce the federal deficit by a whopping \$81 billion over those 10 years! What's not to like?

Unfortunately, a closer look suggests the committee carefully crafted the bill to look good under the criteria by which the CBO is statutorily required to assess it.

The bill assumes Congress would allow "sustainable growth rate" cuts in Medicare spending in 2012 and beyond, and the CBO had to assume this would be the case, saving \$200 billion over 10 years. But the requirement to make those cuts has been in the law since 2003 — and every year since 2003 Congress has refused to make them.

A similar objection applies to the other \$200 billion or so the proposed bill seeks to cut from waste, fraud and abuse in Medicare, and unnecessary spending in other federal health care programs. The government has been promising to cut waste, fraud and abuse since the Reagan administration. Yet spending keeps rising, and there's no reason to imagine that pattern will change.

The Baucus bill contains more tax increases than promised spending cuts. The biggest is a 40 percent excise tax on health insurance plans in excess of \$8,000 for individuals and \$21,000 for families — the so-called "Cadillac" plans. This tax would get passed along to consumers, and as health care costs continue to rise these higher costs would affect a growing number of middle-income Americans.

As Cato Institute health policy specialist Michael Cannon pointed out to us, many of the costs in the Baucus bill are pushed off-budget or imposed on states and private businesses in the form of unfunded mandates. Expanding Medicaid would force state governments to spend \$35 billion more.

As Cannon put it, the Baucus bill would reduce the federal deficit -- "provided that the sun rises in the West."