

## CBO raised red flags on Medicare expansion last year; Lieberman not buying the “compromise”

posted at 12:55 pm on December 9, 2009 by Ed Morrissey

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Earlier, [I wrote](#) about the obvious issues in proposing an expansion of an entitlement already hurtling towards massive insolvency mainly because of a large expansion of beneficiaries. The Senate says they want the CBO to score the idea of expanding Medicare, with tens of trillions of dollars in unfunded liabilities, to cover more uninsured at ages 55 and above. But as [Verum Serum](#) reminds us, [the CBO already analyzed that idea](#) last year — and found it to be a great way to go broke faster:

A disadvantage of this option is that the ability to buy Medicare coverage at age 62 would encourage some people to retire earlier than they otherwise would have. Some of those early retirees could face financial hardship in later years because many people underestimate the financial resources needed for retirement. In addition, because the cost of the coverage would not be subsidized, many low-income near-elderly people would continue to be uninsured. A potential problem with this option is that the amount of adverse selection that the program experienced could be greater than anticipated, which would put upward pressure on premiums and in turn reduce participation. (The potential for adverse selection would be limited in that the program would be offered only to individuals ages 62 to 64, who are more similar to each other in their health status and attitudes toward insurance than are individuals in the general population.)

So what will be the outcomes here? People will retire earlier, which will reduce tax revenues as they earn less and draw pensions instead of produce. Many of them will retire *too* early and won't have the resources to maintain a sustainable lifestyle, which means that they will either have to go back to work or receive government assistance. People who already have insurance or are health won't need to get the Medicare option, which will create a selection bias that gives the pool a much higher risk factor than the general population. That will either drive up premiums, or more likely, will pressure Congress to further subsidize Medicare.

Note, too, that this analysis applied to simply moving the eligibility age back *three* years, not *ten*. That would create even more selection bias, further heightening the risk, as well as the payouts and cost of coverage.

Morgen points out the economic risk in massive early retirements:

Perhaps the first concern expressed by the CBO is even more significant as there is no doubt that there are a large number of near-elderly people who are only working in order to receive health insurance benefits through their employer. Considering the anemic growth rate of the economy, and the rapidly expanding national debt, it seems ill advised for the government to create an incentive for people to retire early. Where in all likelihood they would also elect to receive social security benefits early (a point also noted in the CBO report), further accelerating the deficits in social security spending.

That would put more pressure on Social Security as well. The SSA has had six months of cash deficits

thanks to declining revenues from the high levels of unemployment. We're already at a 2-1 worker-to-retiree ratio for keeping SSA afloat, down from 16-1 when the program was first implemented. It's a Ponzi scheme at best, and now we're going to encourage fewer people to pay into it and more people to draw out of it. What are the likely outcomes of *that* approach? It's most likely to destroy *both* entitlement programs.

Meanwhile, Cato's Michael Tanner points out [seven inconvenient truths](#) about Medicare expansion and the use of the Federal Employees Health Benefit Plan to replace the public option:

1. In choosing the FEHBP for a model, Democrats have actually chosen an insurance plan whose **costs are rising faster than average. FEHBP premiums are expected to rise 7.9 percent this year and 8.8 percent in 2010.** By comparison, the Congressional Budget Office predicts that on average, premiums will increase by 5.5 to 6.2 percent annually over the next few years. In fact, FEHBP premiums are rising so fast that nearly 100,000 federal employees have opted out of the program.
2. FEHBP members are also finding their choices cut back. **Next year, 32 insurance plans will either drop out of the program or reduce their participation.** Some 61,000 workers will lose their current coverage.
3. But former OPM director Linda Springer doubts that the agency has the "capacity, the staff, or the mission," to be able to manage the new program. Taking on management of the new program could overburden OPM. "Ultimate, it would break the system."
4. **Medicare is currently \$50-100 trillion in debt**, depending on which accounting measure you use. Allowing younger workers to join the program is the equivalent of crowding a few more passengers onto the Titanic.
5. At the same time, Medicare under reimburses physicians, especially in rural areas. **Expanding Medicare enrollment will both threaten the continued viability of rural hospitals and other providers**, and also result in increased cost-shifting, driving up premiums for private insurance.
6. **Medicaid is equally a budget-buster.** The program now costs more than \$330 billion per year, a cost that grew at a rate of roughly 10.7 percent annually. The program spends money by the bushel, yet under-reimburses providers even worse than Medicare.
7. Ultimately this so-called compromise would expand government health care programs and further squeeze private insurance, **resulting in increased costs, result in higher insurance premiums, and provide a lower-quality of care.**

In other words, we're going to address a problem of premium-price growth of around 6% a year, which is higher than inflation, and do so by imposing government plans that normally increase prices by 8.8% and 10.7%. Only in Washington DC could that be considered "progress."

And all of this has Joe Lieberman [remaining skeptical](#) of the compromise:

"I am encouraged by the progress toward a consensus on proposals to send to the Congressional Budget Office to review. I believe that it is important to pass legislation that expands access to the millions who do not have coverage, improves quality and lowers costs while not impeding our economic recovery or increasing the debt.

"My opposition to a government-run insurance option, including any option with a trigger, has been clear for months and remains my position today.

"Regarding the 'Medicare buy-in' proposal that is being discussed, we must remain vigilant about protecting and extending the solvency of the program, which is now in a perilous

financial condition.

“It is my understanding that at this point there is no legislative language so I look forward to analyzing the details of the plan and reviewing analysis from the Congressional Budget Office and the Office of the Actuary in the Centers for Medicare and Medicaid.”

If the earlier CBO and CMS analyses give any indication, this compromise may wind up drowning in its predictable red ink.



## Blowback

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Comment pages:

I am actually becoming guardedly optimistic of this whole thing blowing up and not passing.

BPD on December 9, 2009 at [1:03 PM](#)

We will be in great shape when greater than 50% of the population does not pay income taxes and greater than 50% receive subsidized government welfare.

WashJeff on December 9, 2009 at [1:03 PM](#)

oy vey!

cmsinaz on December 9, 2009 at [1:03 PM](#)

Holy self-accelerating death spiral, Batman!

Firefly\_76 on December 9, 2009 at [1:04 PM](#)

Kill the bill before it kills us.

darwin on December 9, 2009 at [1:04 PM](#)

CBO raised red flags on Medicare expansion last year;

apparently the Senate didn't get the memo that day...

this has got to be the final straw...crash & burn, for the love of pete!

cmsinaz on December 9, 2009 at [1:08 PM](#)

Ultimately this so-called compromise would expand government health care programs and further squeeze private insurance, resulting in increased costs, result in higher insurance premiums, and provide a lower-quality of care.

That's the idea!

[CK MacLeod](#) on December 9, 2009 at [1:08 PM](#)

Besides tort reform, the one subject that seems to have fallen through the cracks is **capacity of the system**.

There is nothing here to add doctors at a rate that will cover demand .. and this is before many of the current doctors retire early when they are given the option of "slave labor" or retirement. Officially adding 20 to 30 million Americans, who previously only went to an emergency room in dire conditions, to the normal doctors' roles is going to make it bad for everyone.

Also missing is anything to cover the "displaced" workers. Insurance and other medical workers will have to be displaced when the feds effectively cap the amount of money going into the system. Call them "waste, fraud and abuse" if it makes you feel better, but these folks are still displaced.

J\_Crater on December 9, 2009 at [1:08 PM](#)

It has gotten to be such a clusterflock that keeping up with the spin is almost impossible. A bill will be passed but no one will have a clue what it says, how it works, how it will be implemented or paid for and administered or organized.

Three trillion dollars will disappear into a bureaucracy so massive and complicated that no one will have the courage or intellect to figure it out.

[Bishop](#) on December 9, 2009 at [1:08 PM](#)

I am actually becoming guardedly optimistic of this whole thing blowing up and not passing.

BPD on December 9, 2009 at 1:03 PM

I hope you're right. According to Quinnipiac, voters "disapprove 52 – 38 percent of the health care reform proposal under consideration in Congress." How long can they actually *ingore* this?

Firefly\_76 on December 9, 2009 at [1:09 PM](#)

How long can they actually ingore this?

Firefly\_76 on December 9, 2009 at 1:09 PM

Until Odumbass is out of office in 2012.

txag92 on December 9, 2009 at [1:11 PM](#)

I don't trust the CBO to be honest. Remember they "agreed" with Reid last time that it would cost nothing and actually reduce the debt.

sandee on December 9, 2009 at [1:12 PM](#)

Bishop on December 9, 2009 at 1:08 PM

Dude, clicked your link. Cruel.

Firefly\_76 on December 9, 2009 at [1:15 PM](#)

Ed, you know darn well by now this new and improved CBO will come out with numbers that agree with Obama's agenda.

They will say last years figures were flawed and there was data missing.

Sound familiar?

[Rovin](#) on December 9, 2009 at [1:15 PM](#)

I am actually becoming guardedly optimistic of this whole thing blowing up and not passing.

BPD on December 9, 2009 at 1:03 PM

Democrats are bound and determined to destroy this economy one way or [another](#).

But while administration officials have long said they prefer Congress take action on climate change, the economic official who spoke with reporters Tuesday night made clear

that the EPA will not wait and is prepared to act on its own.

And it won't be pretty.

“If you don't pass this legislation, then ... the EPA is going to have to regulate in this area,” the official said. “And it is not going to be able to regulate on a market-based way, so it's going to have to regulate in a command-and-control way, which will probably generate even more uncertainty.”

[lorien1973](#) on December 9, 2009 at [1:16 PM](#)

I don't trust the CBO to be honest. Remember they “agreed” with Reid last time that it would cost nothing and actually reduce the debt.

sandee on December 9, 2009 at 1:12 PM

The CBO can only score what they're given. We all know there were blatant accounting tricks used by Reid and Pelosi to arrive at the desired figure, but that doesn't prevent the Dems from going out there and selling their lie. What's sad is if we had even a slightly competent media, they wouldn't be able to get away with this.

Doughboy on December 9, 2009 at [1:18 PM](#)

Dude, clicked your link. Cruel.  
Firefly\_76 on December 9, 2009 at 1:15 PM

Link? What link? I see no link here.

[Bishop](#) on December 9, 2009 at [1:18 PM](#)

These democraps can't be this stupid....can they ?

twigman on December 9, 2009 at [1:20 PM](#)

Three trillion dollars will disappear into a bureaucracy so massive and complicated that no one will have the courage or intellect to figure it out.

Bishop on December 9, 2009 at 1:08 PM

You mean like this:

Within seconds a giant spiral had covered the entire sky. Then a green-blue beam of light shot out from its centre – lasting for ten to twelve minutes before disappearing completely.

pedestrian on December 9, 2009 at [1:23 PM](#)

This will create jobs-as retirees retire, this will open up new employment opportunities for younger, unemployed workers-  
Barack Obama

Badger40 on December 9, 2009 at [1:24 PM](#)

Joe.....jump the party fence like Ben Nighthorse Campbell (CO)and Phil Gramm (TX) did.

yoda on December 9, 2009 at [1:25 PM](#)

This will create jobs-as retirees retire, this will open up new employment opportunities for ~~younger, unemployed workers~~ illegal immigrants, er undocumented guest workers. Barack Obama

Badger40 on December 9, 2009 at 1:24 PM

FIFY

Firefly\_76 on December 9, 2009 at [1:26 PM](#)

5.At the same time, Medicare under reimburses physicians, especially in rural areas. Expanding Medicare enrollment will both threaten the continued viability of rural hospitals and other providers, and also result in increased cost-shifting, driving up premiums for private insurance.

My senators from ND better never vote for this crap-mostly rural ND depends upon its hospital. And the fact that much of our population is older, this will devastate rural communities even more. And we've been devastated enough out here. The only new residents we're getting are welfare shoppers from other states.

Badger40 on December 9, 2009 at [1:28 PM](#)

These democrapcs can't be this stupid....can they ?

twiggman on December 9, 2009 at 1:20 PM

They're either stupid or this is all deliberate. I don't know which choice is worse.

Doughboy on December 9, 2009 at [1:31 PM](#)

When is the CBO *invited* to the Whitehouse to have this thing splained to them by Pinnocchio and Rahm and his steak knife?

Read elsewhere where they will require private insurers to *payback* .90 on every dollar in medical benefits!

I wish the Gobement would be required to do the same with my tax dollars. Won't work! Private insurers will go broke leavin only Goberment. Republicans?

Vote em all out all of em except my Congressman Steve King IA.

dhunter on December 9, 2009 at [1:33 PM](#)

I am actually becoming guardedly optimistic of this whole thing blowing up and not passing.

BPD on December 9, 2009 at 1:03 PM

Don't let down your guard. They'll pass something and declare victory. Remember, these are the same idiots who declared it a bipartisan victory because that dumba\$\$ Olympia Snowe voted for it.

Meanwhile, though, since Obamacare is getting stuck in the mud, the EPA declared CO2 a hazard and they'll screw us royally with regulations and leave us begging for Cap and Trade. It will ALWAYS be something.

We have to fight. Seriously.

Oink on December 9, 2009 at [1:41 PM](#)

If the earlier CBO and CMS analyses give any indication, this compromise may wind up drowning in its predictable red ink.

I for one encourage the Marxists to go this route. It kills two socialist birds with one incompetent stone.

elduende on December 9, 2009 at [1:42 PM](#)

These democrapts can't be this stupid....can they ?

twiggmán on December 9, 2009 at 1:20 PM

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Doughboy on December 9, 2009 at 1:31 PM

It's deliberate and the followers are complicit. Those are the only choices.

Oink on December 9, 2009 at [1:42 PM](#)

It doesn't matter what facts you put in front of these idiots they will pass this. It doesn't matter what Lieberman says. Harry won't release the bill. They want us to bend over and take it.

Brat4life on December 9, 2009 at [1:46 PM](#)

Phone call about to happen....

Rahm: Yes hello, can I speak to the CBO head dude please.

CBO head due: Yeah that's me.

Rahm: That's a nice wife you got there, it would be a shame if something were to happen to her

CO head dude: Did I say this is a bad idea? I mean it's a kick ass good idea.



angryed on December 9, 2009 at [1:46 PM](#)

Only in Washington DC could that be considered “progress.”

If it is done by progressives, it MUST be progres.  
Don’cha know.

ss396 on December 9, 2009 at [1:50 PM](#)

I am getting stressed out about this bill. I think they are going to kill us with this bill, no matter what.

karenhasfreedom on December 9, 2009 at [1:52 PM](#)

If the earlier CBO and CMS analyses give any indication, this compromise may wind up drowning in its predictable red ink.

Really? You mean the CBO Analysis generated under Peter Orszag? The ex-Head of the CBO that is now currently working as 0-Bama’s Office of Management and Budget Director  
?

Somebody needs to pose a question to Mr. Orszag, with President NitWit standing next to him:

Were you just incompetent then, or are you “merely” lying now?

dmh0667 on December 9, 2009 at [1:54 PM](#)

Vote em all out all of em except my Congressman Steve King IA.

dhunter on December 9, 2009 at 1:33 PM

Care to trade a Steve King for a Ben Nelson?

cntrlfrk on December 9, 2009 at [1:54 PM](#)

7.9-8.8%? My FEHBP (Mailhandlers) is going up 28%! Of course I only pay 1/3rd the total cost.  
Tom

marinetbryant on December 9, 2009 at [1:56 PM](#)

We do need to do something about Medicare. Many old people go to the doctor to have something to do. I’ve seen it many times. They take up appointments and medicare dollars.

By cutting reimbursement rates, they’re only going to cause doctors to opt out of the program and effectively defund the elderly. Perhaps a \$100 per visit co-pay may be a good way to curb the unfunded liability of the program. \$50trillion+ is a staggering sum of money.

We’re finally facing the real cost of vote buying entitlements and our kids will have to pay for it unless we do something to reign-in the costs.

orlandocajun on December 9, 2009 at [1:59 PM](#)

Care to trade a Steve King for a Ben Nelson?

cntrlfrk on December 9, 2009 at 1:54 PM

Nope might consider Grassley but for sure will trade Harkin.

Nelson being a former Insurance Co exec and State Insurance Div director knows full well what this crap will do to private ins. and if he votes for it one more time should be hung! He's sellin his soul on abortion and private enterprise

dhunter on December 9, 2009 at [2:11 PM](#)

Many old people go to the doctor to have something to do.

orlandocajun on December 9, 2009 at 1:59 PM

I've seen this a lot, too, within our aging rural community.

If you don't have to pony up some \$\$ for something, it's easy to abuse it.

I've got co-pays & let me tell you, even though mine's only \$25, I still don't go to the Dr. unless I really need to.

Badger40 on December 9, 2009 at [2:16 PM](#)

We're finally facing the real cost of vote buying entitlements and our kids will have to pay for it unless we do something to reign-in the costs.

orlandocajun on December 9, 2009 at 1:59 PM

It was only a matter of time after all. Everyone knew this stuff was too good to last, but they kept pushing the problem down the road. Well we are at the end of the road and the bridge is out leaving us standing at the edge of a 1,000 foot deep gorge with no where to go but down.

Johnnyreb on December 9, 2009 at [2:20 PM](#)

According to Quinnipiac, voters "disapprove 52 – 38 percent of the health care reform proposal under consideration in Congress."

Firefly\_76 on December 9, 2009 at 1:09 PM

Isn't it only about 52% that pay income taxes anyway? The percentage likely won't get higher than 52, because everybody else is getting pretty much a free ride on taxpayer's backs.

Looks like the folks driving the wagon are just now seeing the horse's rump.

marybel on December 9, 2009 at [2:27 PM](#)

It was only a matter of time after all. Everyone knew this stuff was too good to last, but they kept pushing the problem down the road. Well we are at the end of the road and the bridge is out leaving us standing at the edge of a 1,000 foot deep gorge with no where to go but down.

Johnnyreb on December 9, 2009 at 2:20 PM

Private enterprise, co-pays, out of pocket expenditures could solve this problem as would tort reform alas there's no-one willing to articulate the solution lest the Dems **accuse** the republicans of wanting to cut medicare and medicaid and hurt the old and poor.

The po little Repubs don't want to be accused of wanting to do that which the Dems are gonna do.

Vote em all out the system is broken beyond repair!  
Third Party, Sarah, Third party baby!  
Take em all on they've all squandered their priveldge to lead!

Hey McCain hows' that good family man, America lovin Obama workin out for ya. MORON!

dhunter on December 9, 2009 at [2:28 PM](#)

Many of them will retire too early and won't have the resources to maintain a sustainable lifestyle, which means that they will either have to go back to work or **receive government assistance**.

My plan exactly. Retire early, and get back the social security benefits that my father, mother, and brother never received, along with my own contributions. I love it when the government allows me to actually receive benefits from its "pay as you go" plan.

As this whole debacle shows, there's no way the Dems are going to require me to pay for my own healthcare. We are all going to be part of the pool now.

Well, some of us in the pool are going to use water-wings. I'm not going to work for the Democrats — I'm going to make them work for me.

[unclesmrgol](#) on December 9, 2009 at [2:39 PM](#)

Hmmmm.

Weren't they going to help pay for healthcare reform by cutting \$500 billion from Medicare?

And now they're going to expand Medicare?

Is this at the same time they're going to cut \$500 billion from it?

How the hell does any of this nonsense even approach "reducing the deficit"?

memomachine on December 9, 2009 at [3:22 PM](#)

memomachine on December 9, 2009 at 3:22 PM

reduces the deficit by takin fRom the haves and givin to the don't wanna works or too dumb to works or I'll just be lazy and let others pay my ways

Ahhhh it doesn't reduce the deficit just your opportunity to have the best you are willing to pay fo and makin everybody equal.

After all those professional babymakin, quart drinkin, dope smokin, porch sittin new Orleanians have just as much right to healthScare as the person who works 70 hours a week cleanin up the damn messes they make!

Whhaaaa? Libtards make my head hurt there's no other way than revolution to get rid of em and this healthscare may be just the thing to wake the sleepy masses!

Then again maybe not. Canada do ya have room for a couple of workers up there?

dhunter on December 9, 2009 at [3:30 PM](#)

Translation, Lieberman is going to fold like a cheap kite in a gale wind.

[FireBlogger](#) on December 9, 2009 at [3:31 PM](#)

Expected White House response:

We'll match your truthful facts with the magnetism of one African-American messiah and even up the ante with free band-aids along with that free lunch we're offering. (Remember us when you vote young folks. We're the ones getting rid of those expensive seniors, while saving medicare, social security and the environment from CO2!)

Don L on December 10, 2009 at [9:17 AM](#)

Comment pages: