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« [This Isn't a Minnesota Priority](#) (Previous)

(Next) [This Makes Perfect Sense](#) »

CATO On Baucuscare

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The Cato Institute's [Michael Tanner and Michael Cannon have written scathing reviews](#) of Sen. Baucus's legislation. Here's what Mr. Tanner said about Baucuscare:

The CBO scoring makes it clear that the Baucus bill's reduction in future budget deficits comes not from controlling government spending or reducing health care costs, but because of a rapid escalation in tax revenues. The bill imposes a 40 percent excise tax on health-insurance plans that offer benefits in excess of \$8,000 for an individual plan and \$21,000 for a family plan. Insurers would almost certainly pass this tax on to consumers via higher premiums. As inflation pushes insurance premiums higher in coming years, more and more middle-class families would find themselves caught up in the tax.

In fact, overall, the tax increases in the bill are more than double the amount of deficit reduction. This isn't a health care efficiency bill or a cost containment bill. It is a tax and spend bill, pure and simple.

When I wrote about the Democrats' Cap and Trade legislation, I frequently referred to it as "a tax increase masquerading as" (a) environmental policy or (b) energy policy. Tanner's description of Sen. Baucus's bill has that same tone to it. At minimum, what he's saying is that Sen. Baucus's bill is almost as much about increasing taxes as it is about setting health insurance policy.

I think it's particularly instructive when Mr. Tanner says that this legislation isn't about greater efficiency or containing costs. I'm thinking that it's more about hiding the legislation's true expense with tax increases. I'd suggest that people won't tolerate additional tax burdens during this economic downturn. They're likely already jumpy about the possibility of losing the job they currently have.

Let's understand, too, that the money that isn't being spent isn't because they've made the health care system more efficient. They've just cut the Medicare budget by \$404,000,000,000 over the next decade. That's just a little less than the annual Medicare budget, meaning that the Baucus bill is a cut of 10 percent at a time when it's estimated that Medicare enrollment is expected to increase by 30 percent.

I'd love hearing Sen. Baucus explain how you can cut Medicare spending by that much while Medicare enrollment is rapidly expanding without cutting benefits or rationing care.

Here's what Michael Cannon said about the Baucus bill:

The CBO score of the Baucus bill is like a mystery novel with the last 50 pages missing. It fails to reveal both the full cost of the bill and the budget gimmicks that Mr. Baucus uses to hide that cost.

The Baucus bill will not reduce the deficit, and it would ultimately cost taxpayers more than \$2 trillion, just like every other bill Congress has produced so far.

*The biggest gimmick employed by the bill is that **its individual mandate pushes more than half of the legislation's cost off-budget and onto businesses and individuals who will have to shoulder that burden. A real-world parallel already exists in the Massachusetts health care plan, where private-sector mandates account for 60 percent of the cost.** In 1994, CBO counted those mandated private payments in the federal budget, and it helped kill the Clinton health plan. This time around, Democrats were very careful to craft their mandates so that they just barely avoided having the CBO include those payments in the federal budget. But the CBO's decision does not change the fact that those private-sector mandates are part of the cost of this bill.*

*The second-biggest gimmick is assuming that Congress will let the "Sustainable Growth Rate" cuts in Medicare physician payments to occur. **Starting in 2003, Congress has repeatedly blocked those cuts, and there is no reason to think that Congress will behave any differently in the future. So yes, provided that the sun rises in the West, the Baucus bill would reduce the federal deficit.***

In other words, this 'straightforward' bill isn't so straightforward. This isn't a criticism of the CBO. Their job, if I understand it correctly, is to simply attach a price tag on legislation based on how much the legislation will cost the federal government.

Again, if I understand it correctly, the CBO's job isn't to attach a cost to how much the legislation will cost states or individuals. **Diana Furchtgott-Roth's article** does a nice job with that part of the hidden equation:

***What CBO doesn't tell Americans is that their health insurance premiums would increase substantially in the decades ahead.** The level of health insurance premiums does not have to be incorporated in CBO estimates, because it is not a tax and it is not paid by the federal government. In 2019, in addition to \$46 billion in excise taxes, Americans would be paying over \$100 billion in higher premiums.*

***Since CBO forecasts increases in excise tax revenues of 10% to 15% annually after 2019, health insurance premiums must also rise by the same percent annually.** This government mandate will amount to a steady drain on Americans' pocketbooks, a tax under another name.*

Those are real costs to real families. It isn't important whether we should call something a fee, a tax or an expense to families. Thursday night, I asked a friend of mine's daughter if she cared if the taxes taken from her paycheck were all federal taxes, all state taxes or a combination of both. She confirmed that she didn't care in terms of budgeting, that it's all money missing from her account.

I suspect that people will be upset with any of the Democrats' bills, whether it's the Baucus bill, the HELP bill, one of the bills from the House of Representatives or if it's an amalgamation of the various bills. All are loaded with major tax increases, all will result in rationing and all will cost people more money than they're spending now on health care.

Until something changes dramatically, I'll continue believing that these bills are heading for a crash landing on rocky ground.

Technorati: **Taxes, Excise Tax, Budget Cuts, Benefit Cuts, Cadillac Plans, Medicare Cuts, Medicaid, Unfunded Mandates, Insurance Premiums, CBO, Inflation, Deficits, Rationing, Max Baucus, Gimmicks, Democrats**

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