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The \$1.5 Trillion Fraud

The Democrats' ingenious plan to disguise the true cost of their health-care bills.

By Michael F. Cannon

If House Democrats hold a vote on their health-care overhaul this weekend, they might as well vote on abolishing the Congressional Budget Office too. It would be no more audacious — and much more honest — than their current strategy for hiding the true cost of their legislation.

Never mind the everyday budget gimmicks House Democrats have used, such as removing \$250 billion of deficit spending to be voted on separately. Or claiming their bill would cost just \$894 billion — around \$400 billion less than the CBO actually projected. We've seen this kind of trickery plenty in recent years; to suppress an inconvenient cost estimate of its proposed Medicare drug entitlement, the Bush administration threatened to fire Medicare's chief actuary.

Deceptions on this scale are child's play, at least when compared to what has to be the biggest fiscal obfuscation in the history of American politics: The current leadership has rigged the legislation so that 60 percent of its total cost will not be made public by the CBO in advance of the House vote. Here's how they did it.

The centerpiece of the bills currently under consideration is not the “public option,” but the “individual mandate” — a legal requirement that all U.S. residents purchase health insurance, on penalty of finances and/or imprisonment.

The CBO describes an individual mandate as “an unprecedented form of federal action” whose closest analogue in federal law is the draft. But as President Obama told a joint session of Congress, the rest of the legislation won't work unless the federal government forces Americans to purchase health insurance.

President Clinton's ill-fated health plan had an individual mandate, too. Back in 1994, the CBO decided that since “the mandatory premiums . . . would constitute an exercise of sovereign power,” the agency would treat all premiums as federal revenues, including them in the federal budget.

That revealed to the public the full cost of Clinton's health plan. Clinton's secretary of health and human services, Donna Shalala, called the CBO's decision “devastating.” Journalist Ezra Klein writes that it “helped kill the bill.”

Rather than admit the individual mandate's unpopularity and move on, congressional Democrats simply ensured that its costs would not appear in the federal budget this time around by gaming

the CBO's rule for what constitutes "federal revenues."

The CBO explains it will not count mandatory premiums as federal revenues if the individual mandate leaves consumers with what the CBO considers a "sufficient" or "meaningful" or "substantial" degree of choice among health plans. That rule is both amorphous and arbitrary. (For example, it presumes that the freedom not to purchase health insurance — which an individual mandate would eliminate — is not "meaningful." Millions of Americans would disagree.) More important, evading that rule doesn't make an individual mandate any less compulsory, or any less costly. It just hides those costs by pushing them off-budget.

Obama budget director Peter Orszag laid the groundwork for this feat. While director of the CBO in 2007 and 2008, he fostered a more collaborative relationship between the CBO and members of Congress, which enabled the agency to provide behind-the-scenes guidance to Democrats crafting their mandate. That's why the cost of the Democrats' individual mandates appears nowhere in the half-dozen or more "preliminary cost estimates" the CBO has completed on various Democratic health-care bills.

In Massachusetts, which has enacted what is essentially the Democrats' health plan, mandatory premiums account for about 60 percent of overall costs, according to the Massachusetts Taxpayers Foundation. On-budget government spending is just 40 percent. By my count, mandatory premiums accounted for a similar share of the Clinton health plan's projected cost.

So while the CBO estimates that the coverage expansions in the House Democrats' legislation would trigger about \$1 trillion of new federal spending over ten years, the actual cost of those coverage expansions is more like \$2.5 trillion.

The CBO exists to bring honest accounting to the federal government. House Democrats are gaming the CBO, subverting this purpose. Anyone who cares about honest accounting or transparency in government should put the brakes on this vote until the American people have all the facts.

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