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Federal programs suffer from fraud, cost overruns. Another health-care scheme would be no different.

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Americans are anxious about the expensive health-care bill being debated in Washington, and not just because it may affect their current health coverage. They know that soaring government spending is getting the nation hugely into debt and that many current programs are badly mismanaged. Would a new health-care program be run any better than the many failed and misguided programs already on the books?

The pathologies of federal spending programs are examined on a new Cato Institute Web site, www.downsizinggovernment.org. Programs in every federal department suffer from fraud, cost overruns, and other types of mismanagement. And many federal programs are ineffective or actually cause damage to society.

Fraud is rife throughout the government's array of 1,800 different subsidy programs, including health programs. For Medicare and Medicaid, as much as 20 percent of spending disappears into a black hole of improper payments, according to Malcolm Sparrow of Harvard University. That amounts to more than \$100 billion of annual health spending being essentially flushed down the drain.

Here's one egregious example: Over four years ending in 2008, a high school dropout in Miami with a laptop computer was able to single-handedly cheat Medicare out of \$105 million by electronically submitting 140,000 fraudulent claims for equipment and services. With that sort of abuse endemic in federal health programs, do we really want to expand them further?

Another spending pathology is cost overruns. Highway construction, defense procurement, and other federal spending projects often cost far more than budgeted. For example, Boston's Big Dig highway project - which was mainly funded by federal taxpayers - was overwhelmed by poor management and ended up costing five times more than promised.

Cost overruns have also plagued federal health programs. When Medicare's Part A was launched in 1965, it was projected to cost \$9 billion by 1990, but ended up costing \$67 billion. When Medicare's home-care benefit was added in 1988, it was projected to cost \$4 billion in 1993, but ended up costing \$10 billion.

It's the same for Medicaid. When that program's special hospitals subsidy was added in 1987, it was supposed to cost \$100 million annually, but within five years it was costing \$11 billion annually. So when the Democrats today promise that their health-care plan will cost \$1 trillion, taxpayers had better hold onto their wallets because it's likely to end up costing much more.

Aside from high costs, many federal programs don't produce the promised results. Let's be bipartisan and pick on a Republican program this time - George W. Bush's No Child Left Behind education plan. Under Bush, federal education spending doubled in eight years, yet U.S. student achievement has generally not improved.

Other programs, while well-intended, have inadvertently created damage to the economy. For years, both Republican and Democratic administrations promoted housing subsidy programs to boost home purchases by high-risk borrowers. But after the recent housing bubble and bust, we now know that those subsidies were a huge mistake.

Federal programs can create social damage as well as economic damage. Consider public housing. The federal government pumped hundreds of billions of dollars into projects over the decades, but the results have often been disastrous. Many housing projects became dens of crime and disorder, and the harmful effects often spread to surrounding neighborhoods. Yet the government still spends billions of dollars a year on public housing.

Some federal subsidy programs harm the environment. Farm subsidies induce farmers to overuse marginal farm land and sugar subsidies spur excessive sugarcane cultivation in Florida, which has damaged the Everglades. And for those who think that big corporations are the worst polluters, they should study the appalling environmental damage done at federal nuclear weapons sites. Taxpayers are spending billions of dollars every year cleaning up that mess.

Perhaps the most serious problem with federal spending is that programs squelch the development of new and diverse solutions to society's problems. In health care, government intrusion has pushed up the cost of private insurance and squeezed out private health alternatives. For example, about half of the elderly already had health insurance before Medicare was enacted in 1965. But Medicare killed that market and also killed any chance that state governments or entrepreneurs would introduce their own health solutions for the elderly.

The men who came to Philadelphia in 1787 to frame a new government believed that federal functions should be "few and defined," with most activities left to the states and the private sector. They didn't believe that one-size-fits-all federal spending programs made sense for a vast and diverse nation.

History has proved them correct. So rather than imposing another grand health-care scheme on the country, federal policymakers should focus on removing obstacles to bottom-up innovations that could more efficiently fix our health-care markets.

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