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## How Democrats Made More Than \$1 Trillion Disappear From the Cost of Health Care Reform

Peter Suderman | December 16, 2009

For weeks, Cato's Michael Cannon has been counting off the number of days without a full cost estimate for health care reform. Today marks day number 180. Yes, we've seen estimates that indicate the cost to the government (which are misleading by themselves), but what we haven't seen is an official estimate of the cost of the private sector mandates.



That's a big deal. Why? Because in 1994, the Congressional Budget Office *did* score those mandates, and they accounted for about 60 percent of the total cost. That means that the already-astronomical total we do see — \$849 billion in the Senate — only represents 40 percent of the full cost.

That means Democrats haven't had to talk about a huge portion of the actual cost. By Cannon's estimate, the true cost of the House bill was \$1.5 trillion higher than the figure we saw.

Some argue that we shouldn't count the cost of the mandate because it's private spending. That ignores the coercion involved. Think of it this way: If the government required that every adult pay the IRS a few thousand dollars, and then the government took that money and used it to pay a conglomerate of health insurance companies, there's no question that it would count as government spending. But if the government instead forces individuals to give their money directly to one of those insurance companies, it's not — yet there's really not much difference.

But the natural question here is why the CBO scored the full amount in 1994 but hasn't done so now. And, after examining a recent CBO memo, Cannon seems to have found an answer:

How is it that the CBO made the full cost of the Clinton health plan apparent to the public in 1994, but may now be revealing only 40 percent of the cost of the Obama health plan?

For some time, I've suspected the answer is that congressional Democrats have very carefully tailored their

individual and employer mandates to avoid CBO's definition of what shall be counted in the federal budget. Democrats are still smarting over the CBO's decision in 1994. By revealing the full cost of the Clinton plan, the CBO helped to kill the bill.

Since then, keeping the cost of their private-sector mandates out of the federal budget has been Job One for Democratic health wonks. While head of the CBO, Obama's budget director Peter Orszag altered the CBO's orientation to make it more open and collaborative. One of the things about which the CBO has been more open is the criteria it uses to determine whether to include mandated private-sector spending in the federal budget.

...The Medical Loss Ratios memo is the smoking gun. It shows that indeed, Democrats have been submitting proposals to the CBO behind closed doors and tailoring their private-sector mandates to avoid having those costs appear in the federal budget. Proposals that would result in a complete cost estimate — such as the proposal by Sen. Rockefeller discussed in the Medical Loss Ratios memo — are dropped. Because we can't let the public see how much this thing really costs.

Crafting the private-sector mandates such that they fall just a hair short of CBO's criteria for inclusion in the federal budget does not reduce their cost, nor does it make those mandates any less binding. But it dramatically reduces the *apparent* cost of the legislation. It is the reason we're all talking about an \$848 billion Reid bill, rather than a \$2.1 trillion Reid bill. If someone sold you a house, or a car, or a mutual fund this way, we would put them in jail.