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Health Care: A Trillion(s)-Dollar Bill

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Health care reform - Coverage from the Times-Dispach

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A trillion here, a billion there, and pretty soon we're talking real money.

The House of Representatives has now passed its version of health care reform -- a gargantuan 2,000-page, 70-pound collection of mandates, regulations, and subsidies that may well be among the most expensive pieces of legislation in U.S. history.

When the bill was first introduced, the Congressional Budget Office estimated that it would cost $1.1 trillion over the next 10 years. However, as is the way with government programs, that cost has already begun to grow. By the time the "managers amendment" and certain provisions had been added to the bill, the final product was projected to cost more than $1.7 trillion.

In theory, this increase in spending would be partially offset by $628 billion in Medicare cuts, giving the bill a "net" cost of slightly more than $1 trillion. But how likely is it that those cuts will take place? After all, this is an administration that is paying seniors $250 to make up for the fact that they didn't get a Social Security costof-living increase this year (because the cost of living didn't increase). And Congress is in the process of repealing a scheduled increase in Medicare premiums.

To see how this may play out, look what Congress is doing about the so-called "doc fix."

Under current law, there is supposed to be a 21 percent cut in reimbursements to Medicare providers next year. But no one in Washington seriously believes that Congress will let that happen. In fact, those cuts have been supposed to take place every year since 2003. And every year Congress postpones them until the following year.

However, in order to pretend that their bill costs less than it actually does, the Democrats simply assume that this time Congress will let those cuts take effect. Then, in an unparalleled display of cynicism, they have introduced a separate bill repealing those cuts at a cost of $200 billion.

That means that the cost of the "doc fix" isn't technically part of health care reform. And your household budget would look so much better if you didn't have to pay your mortgage and car payment. (The Senate tried to do something similar, only to have the cynical ploy rejected 53-47, with 13 Democrats refusing to play along.)

Moreover, the CBO provides 10-year projections of a bill's cost, between 2010 and 2019 in this case. Yet, while the taxes and other revenue measures in the bill kick in immediately, most of the spending doesn't take effect until 2014.

So the "10-year" cost projection includes only six years of the bill. Wouldn't it be great if you could count a whole month's income, but only two weeks' expenditures in your household budget?

If we look at the bill more honestly over the first 10 years that the programs are actually in existence, say from 2014 to 2024, it would actually cost nearly $3 trillion.

There has been a lot of talk recently about "bending the curve" of health care spending, but as the actuaries at the Centers for Medicare and Medicaid Services (CMS) recently noted, the House bill bends the curve in the wrong direction -- increasing government health care costs.

All this new spending will be accompanied by equally massive federal tax hikes, roughly $500 billion over the first 10 years -- $770 billion if the penalties for failing to comply with the mandate are included.

Furthermore, much of the bill's cost is shifted off the federal books onto businesses, individuals, and state governments. These business and individual mandates are the equivalent of tax increases, but those costs aren't included in the bill's cost estimates.

Under the House bill, many small businesses that do not currently provide health insurance would have to do so, or they may face a new tax of up to 8 percent of payroll. Other businesses that do offer insurance, but whose benefits are not as comprehensive as the government mandates, will have to purchase new, more expensive policies. This cost may not be included in a CBO "score," but it is a very real cost for businesses -- especially at a time of 10.2 percent unemployment.

Similarly, individuals will also have to buy insurance that meets the government's minimum benefit standards or pay up to 2.5 percent of their income as a penalty. That added burden is a cost, too.

So is the cost of increased insurance premiums -- and nearly everyone agrees that insurance premiums will go up under reform, especially for younger and healthier people.

And state governments will have to pick up at least part of the cost for the bill's Medicaid expansion. In fact, already strapped states could have to come up with as much as $34 billion.

This is all taking place at a time when the government is facing an unprecedented budgetary crisis. The U.S. budget deficit hit $1.4 trillion in 2009, and we are expected to add as much as $9 trillion to the national debt over the next 10 years, a debt that is already in excess of $12 trillion and rising at a rate of nearly $4 billion per day.

Social Security will begin running deficits in 2016, and Medicare even sooner than that. Under current projections, government spending will rise from its traditional 20-21 percent of our gross domestic product to 40 percent by 2050. That would require a doubling of the tax burden just to keep up.

Add a multi-trillion-dollar health care bill on top of that, and we risk permanently damaging our economy and leaving our children and grandchildren an unconscionable burden of debt and taxes.

There is now widespread consensus that our health care system needs some kind of reform.

But surely it must be possible to control health care costs, improve quality, and extend coverage to more people without bankrupting the nation.

Health care reform now goes to the Senate. There are 3 trillion reasons to hope they are not as fiscally reckless as their counterparts in the House.

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Reader Reactions

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Mr Tanner is sure conservative on his cost assessment.
Sure, the Pelosi bill says it will cost only $1,200,000,000 over ten years.
But we all know every government prediction falls short of actual costs.

For example, The People were promised an estimate for Medicare. That estimate was 9 TIMES short of the actual cost.
With the utter contempt to The Republic and The Constitution Obama and new Democrats have displayed thus far, do you think they care if the Health Care Takeover projections are 9 TIMES LOWER than the actual cost?

Flag Comment Posted by thetruth on November 15, 2009 at 8:49 am

and the cost over next ten years of the status quo?

The Kaiser Family Foundation's research of our health care delivery system and 2,000+ employers finds among costs the current premium for one employee with need of family coverage is $1,115 per month, double that of 8 years ago, and is tracking to hit $2,500 per month in ten years; Y2019 at that year's $30,000 cost in premiums. Then, there are the increasing of deductibles and copays. Oh, they don't seem very much. Perhaps a $30 copay for each visit to your general practitioner becomes $35 for Y2010, and so forth, but look at the %'s.

Gotta look at the overall cost of the delivery system. This year is will total 18% of our $14 trillion GDP vs the cost of the Swiss (#2 highest) at 11% and the Germans (#3) at 11.7%. Our status quo to hit 25% of GDP by Y2025. That's only 15 years from now.

Hello! Wake-up call. Don't get blinded by insurer, CATO, Heritage Foundation, Limbaugh, FOX, and the GOP's smoke & mirrors. Face reality. Can our nation striving to dig our way out of the financial crisis, trying to create jobs….can we afford a cost of 25% of GDP?

IF our GDP grows 2% per annum for next ten years, we'll have a $17 trillion GDP. Our delivery system is tracking to cost us 22% of GDP in ten years. That puts Y2019 cost at $3.74 trillion vs $2.4 trillion for Y2009. Plus $1.34 trillion AND higher # of American citizens without coverage or without adequate coverage.

Status quo or reform that covers more at less cost? Reform that finally starts us on the road toward stopping the percent of GDP growth and strives to start reducing that strangling percentage. Which shall it be?

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