

Best guesswork by the CBO on health care could carry a high future price

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The battle in Congress over the true cost of the health care rages on, despite a Congressional Budget Office (CBO) score released on Thursday estimating the bill would reduce the deficit by \$138 billion over 10 years.

Democrats hailed the CBO analysis as a triumph, but Republicans dismissed it as a product of accounting manipulation in the legislation. Part of the problem in understanding the cost or savings of government proposals is that they have nothing to do with practices commonly used in the private sector — and there's a lot of guesswork.

"They're basically putting asterisks by everything saying, 'It's the best we can do, but God only knows what can happen,'" said Stan Collender, a budget expert at Qorvis Communications who has worked for both the House and Senate budget committees.

"[The CBO's] job is just to get the number right, they don't negotiate numbers with anybody — they just let the chips fall where they may. This is a bill that affects 17 percent of GDP. It affects everyone within our borders, legal or otherwise, even if someone is not covered and they go to emergency room they effect the cost of health care, you can estimate it, but you can never know it exactly," Collender said.

"There's all manner of funny things going on, not with CBO so to speak — the CBO is rigorously honest — but they have to play within the four corners of the field they're given, and the way Congress sets up the rules determines the outcome," said Michael Tanner, a senior fellow at the libertarian Cato Institute. "You have 10-year budget window but the bill doesn't take effect for another four years, so the cost is really over six years."

"There's lots of things you can do in the legislation to manipulate the score, and the CBO has no choice — they have to score the manipulated legislation they're given," said Rep. Paul Ryan, the ranking Republican on the House budget committee.

The government does not use generally accepted accounting principles (GAAP) in its analysis — some experts say the "cash-in, cash-out" version of accounting it does is simpler — and there's no such thing as accruals, long-term assets or liabilities, which are standard on a corporate budget projection. Whereas corporations project quarterly, the government projects over nearly a quarter of a century.

"Unless you know what's in the government baseline — what's current law, you can't understand how a bill will score," said John Ams, executive vice president of the National Society of Accountants.

"The baseline makes assumptions about how much a particular tax provision will raise in a particular year ... when they talk about something losing money, they mean it will raise less than we originally thought ... when a business talks about losing money, they're in the red."

"The estimates they're making are incredibly difficult, even over a 10-year period. You're talking about five congressional elections, 2.5 presidential elections, countless military situations," said Collender. "It's at best an educated guess. The only phrase missing is: 'actual results may vary.'"

The CBO has to make wide-ranging market assumptions in its analyses, and any assumption it makes can have a sweeping effect on the numbers.

"The bottom line is that, if you assume the CBO numbers are correct, and I don't have any reason to argue with them, then this health-care bill does make spending and revenue changes that generate more revenue than it would cost," Collender said.

Critics say this is because of all the items the CBO was forced to leave out of the bill.

“It does reduce the deficit but it also increases Social Security obligations because they’re deliberately outside the CBO budget window, and they do they same thing with Medicare,” Tanner said.

The Senate bill has a weak employer mandate, and Tanner explained that the government expects that fewer businesses will offer health insurance, paying higher wages instead.

“The money businesses spend on health-care premiums is exempt from Medicare taxes, but personal income is not. The CBO assumes that some businesses will stop giving people insurance, and will give them wages, expanding the base, and generating more income from Medicare taxes,” said Tanner, pointing out this creates a much larger entitlement liability down the road.

“It does increase spending — that’s the real issue — are you comfortable with the government spending \$1 trillion more, even if they’ve paid for it? At some point you have to hold your nose and pay for the bill,” Collender said.

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