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The Cost of Health Care Reform

Michael Tanner

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The health care reform bill unveiled by House Democrats last week looks increasingly like one of the most expensive pieces of legislation in history.

When Democrats announced the bill, House Speaker Nancy Pelosi claimed the bill cost only-only!-\$894 billion over the next ten years. But outside analysts, including the Congressional Budget Office, suggest that the real cost will be far, far higher.



The CBO, for example, points out that the bill would actually increase government spending by slightly more than \$1 trillion. Democrats reported a lower "net" number by subtracting revenues from penalties paid by individuals and businesses that fail to comply with the bill's insurance mandate. But even that does not reflect the bill's true cost.

The Democratic leadership simply shifted some of the bill's cost to other bills. For example, for purposes of the health care bill, the Democrats assume that a currently scheduled 21 percent cut in Medicare reimbursements will take effect next year. However, at the same time, they have introduced a separate bill repealing those cuts at a cost of \$250 billion, so that cost 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 just tried to do something similar, only to have the cynical ploy rejected 53-47, with 13 Democrats refusing to play along.)

If you count that cost honestly, the bill's cost rises to nearly \$1.3 trillion. And that still understates the bill's cost.

The CBO provides ten year projections of a bill's cost, between 2010 and 2019 in this case. But most provisions of the health bill don't take effect until 2014. So the "10-year" cost projection only includes six years of the bill. Again, consider your household budget. Wouldn't it be great if you could count a whole month's income, but only two weeks expenditures? 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 more than \$2.3 trillion. And, this doesn't include approximately \$200 billion in additional spending for public health programs, a reinsurance program for retiree health care, and new preventive care programs that was added to the bill after it was submitted for official "scoring." So call the total cost somewhere in excess of \$2.5 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, \$700 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. Nor is the cost of increased insurance premiums, though 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.

And, it could get worse. The bill promises to pay for part of the cost with \$500 billion in cuts to Medicare over the next 10 years. But how likely is it that those cuts 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 cost of 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.

If those cuts don't happen, that just means more taxes or more debt passed on to our children and grandchildren.

So far much of the debate over health care reform has been focused on the details of the bill. But, eventually the public is going to notice the price tag. When they do, House Democrats, especially those who claim to be fiscally responsible Blue Dogs, may have a lot of explaining to do.

A billion dollars here, a trillion there, and pretty soon it adds up to real money.

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