

Brookings Scholar: Obamacare Won't Fix the Deficit

The *Washington Post* [reports](#):

Reid's bill would shave less than 2 percent from deficits projected to top \$9 trillion over the next decade. And it would make only "small reductions" after that, the CBO said -- about 0.25 percent of GDP -- to deficits projected to balloon to roughly 14 percent of the economy by 2035.

"The hope that health-care reform would take care of our budget problem has evaporated," said Isabel Sawhill, a fiscal expert at the Brookings Institution.

Of course, it won't fix the deficit. In all likelihood it will explode the deficit because the Democrats won't follow through on all of the Medicare cuts they've promised (though, with any luck, the Democrats will cut just enough to make Medicare worse). Obama has already [endorsed](#) the "doc fix" bill to keep doctors' Medicare payment rates from being slashed by more than 20 percent--a measure that would add [2.47 trillion dimes](#) to the deficit, as the *Washington Post* editorialized in October.

So why do the *Washington Post's* news pages indulge the Democrats' budget gimmicks? In the same article, the *Post* calls Obamacare an "[\\$848 billion package](#)" and a "[\\$200 billion-a-year health program](#)." Math whizzes might notice that a \$200 billion-a-year program would yield a \$2 trillion health care package over 10 years. Two trillion dollars is much closer the CBO's projection of the real 10-year cost of the bill. The *Post* doesn't explain you get the \$848 billion figure by counting the costs from 2010 to 2019 even though only 1 percent of Obamacare's costs are incurred in the first four years. If you count from 2014 to 2023, when the program's actually in effect, the cost would be [\\$2.5 trillion](#). And the cost curve bends upward from there.

It gets worse. CATO's Michael Cannon [writes](#):

Another gimmick pushes much of the legislation's costs off the federal budget and onto the private sector by requiring individuals and employers to purchase health insurance. When the bills force somebody to pay \$10,000 to the government, the Congressional Budget Office treats that as a tax. When the government then hands that \$10,000 to private insurers, the CBO counts that as government spending. But when the bills achieve the exact same outcome by forcing somebody to pay \$10,000 directly to a private insurance company, it appears nowhere in the official CBO cost estimates -- neither as federal revenues nor federal spending. That's a sharp departure from how the CBO treated similar mandates in the Clinton health plan. And it hides maybe 60 percent of the legislation's total costs. When I correct for that gimmick, it brings total costs to roughly \$2.5 trillion (i.e., \$1 trillion/0.4). ...

When we correct for both gimmicks, counting both on- and off-budget costs over the first 10 years of implementation, the total cost of ObamaCare reaches -- I'm so sorry about this -- \$6.25 trillion. That's not a precise estimate. It's just far closer to the truth than President Obama and congressional Democrats want the debate to be.

Posted by John McCormack on November 30, 2009 10:02 AM | [Permalink](#)

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