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Experts divided over cost of U.S. health care overhaul

by Matthew Rusling

WASHINGTON, Nov. 12 (Xinhua) -- The health care reform bill that passed in the House over the weekend is stirring heated debate over the cost of its proposed reforms.

On one side are those who say the reforms are affordable and on the other are those who say costs will balloon out of control.

At the heart of the debate are 36 million uninsured Americans from those who can not afford or do not want coverage to those precluded from coverage because of pre-existing conditions. Experts also forecast that the country's rapidly rising health care costs will grow to unsustainable levels unless there is an overhaul.

The bill comes with a price tag of around 1 trillion dollars over the next decade and its sponsors said it would be the most sweeping expansion of health coverage since the 1960s.

House Speaker Nancy Pelosi said the legislation "lowers cost, improves quality and expands coverage to 36 million more people."

But Republican Minority Leader John Boehner said it is tantamount to a government health care takeover that boosts costs, adds to the deficit and eliminates jobs with tax increases.

Both houses of Congress will have to hammer out a compromise before submitting it to Obama to sign into law.

Daniel J. Mitchell, senior fellow at the Washington, D.C.-based CATO Institute, predicted the House plan will far exceed the costs spelled out by its authors and the non-partisan Congressional Budget Office (CBO), which said the legislation would reduce 10-year deficits by 104 billion dollars.

Mitchell said government forecasters have a poor track record of predicting costs, and a more likely scenario is that health legislation will boost 10-year deficits by 600 billion dollars, he said.

CBO estimates are off because they do not measure how people and businesses change their behavior when they receive free government services, he said.

"When people are spending other people's money, no one has an

incentive to control cost," he said. "The official estimate is nonsense because it doesn't capture how people will change their behavior to access freebies from government," he said.

They also do not recognize how politicians will "be tempted to expand subsidies as part of routine vote-buying behavior," he said.

Tax hikes will fall short of expected revenues and larger government will lead to even more spending while slowing economic growth, he said. And any forecasting errors by the CBO or the Joint Committee on Taxation could cause deficits to swell billions of dollars higher than anticipated, he said.

Alexander Hertel-Fernandez, a researcher for the Washington, D.C.-based Economic Policy Institute, said while costs may rise somewhat, the bill is no budget breaker. Cost cutting measures will offset all the new spending, he said.

These include discouraging hospitals with high re-admission rates from re-admitting too many patients and a pilot project that would coordinate a patient's doctors to prevent redundant tests.

The bill would also reduce incentives for delivering more care than necessary, and establish an independent body to oversee Medicare, a government health plan for the elderly.

The House plan would levy a 5.4 percent surcharge on high income households those earning more than 500,000 dollars a year and joint filers earning more than 1 million dollars a year that would help curb costs, Hertel-Fernandez said.

"Given the disproportionate income growth for these earners, coupled with a decline in the percentage of income they pay in taxes, the House bill's surcharge is a reasonable option that provides a valuable source of revenue for health care reform," he said.

Critics, however, said many high income earners own small businesses and their enterprises employ a large portion of the U.S. workforce. Hitting them with additional taxes could lead to increased unemployment in a flagging economy, critics said.

Experts note that both the House and Senate bills require individuals to receive coverage and levy taxes on those who do not, although there are exemptions for people with financial problems. And neither is cheap the Senate Finance Committee bill now under debate comes with a projected price tag of 829 billion dollars. Both are expected to raise taxes, experts said.

Still, Obama has vowed that the health care overhaul will not boost

the rising federal deficit, and the president pledged not to raise taxes for families earning less than 250,000 a year.

"I can make a firm pledge. Under my plan, no family making less than 250,000 dollars a year will see any form of tax increase," Obama said last year. "Not your income tax, not your payroll tax, not your capital gains taxes, not any of your taxes."

The Senate plan would levy new taxes on drug companies, medical equipment manufacturers and insurance firms. But taxes on insurance companies would likely be shouldered by consumers, including middle class families, experts said.

Dean Baker, co-director at the Washington, D.C.-based Center for Economic and Policy Research said the House numbers are reasonable. And while they could exceed forecasts, "they are not going to break the budget," he said.

"Taxes and employer contributions will pick up most of the costs," he said.

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