

**Amendment 2965 – To require the certification of Medicare and Medicaid’s fiscal solvency and financial sustainability before any provision of the majority’s health bill shall take effect.**

The Senate health care bill creates a government-run, taxpayer subsidized, national insurance plan (the public option), a taxpayer-subsidized regional insurance plan (co-ops), as well as taxpayer subsidized, federally-mandated state-based insurance regulators (Exchanges).

The two largest federal public health insurance options—Medicare and Medicaid—are both plagued with financial problems.

The new government-run plan and co-ops will likely replicate the financial problems faced by Medicare and Medicaid.

Instead of creating a third or fourth one, Congress should solve the fiscal problems that threaten the solvency of these two public health programs. In June 2009 the Congressional Budget Office said that “slowing the growth rate of outlays for Medicare and Medicaid is the central long-term challenge for federal fiscal policy.”

This amendment simply requires the Actuary of the Social Security Administration and of the Department of Health and Human Services to certify to Congress that the provisions of this act – including the insurance cooperatives, the massive new entitlement program through Exchanges, the heavy handed insurance mandates, and the public plan – have no effect unless they can first certify that Medicare and Medicaid are fiscal solvent and financially sustainable.

The purpose of this amendment is to protect the economic and fiscal health of our country and the health insurance programs that millions of Americans depend upon to cover their health care needs.

**Medicare is bankrupt and Medicaid is bankrupting state governments**

The Congressional Budget Office said in June that “for decades, spending on the federal government’s major health care programs, Medicare and Medicaid, has been growing faster than the economy.”

CBO said that “Federal spending on Medicare and Medicaid combined will grow from roughly 5 percent of GDP today to almost 10 percent by 2035 and to more

than 17 percent by 2080. Without changes in policy, the federal government would be spending almost as much, as a share of the economy, on just its two major health care programs in 2080 as it has spent on all of its programs and services in recent years."

CBO said that almost all of the projected growth in federal spending other than interest payments on the debt comes from growth in spending on the Medicare and Medicaid. By CBO's estimates, the increase in spending for Medicare and Medicaid as a share of GDP will account for 80 percent of spending increases for the entitlement programs between now and 2035.

Reducing overall government spending relative to what would occur under current fiscal policy would require fundamental changes in the trajectory of federal health spending.

CBO said that "slowing the growth rate of outlays for Medicare and Medicaid is the central long-term challenge for federal fiscal policy."

### **The true cost of government programs is usually underestimated.**

The estimates from the non-partisan Congressional Budget Office are important, but not infallible. People who understand CBO from the inside out are the most honest in admitting that their best estimates are professional guesses with lots of uncertainty.

Donald Marron, former Acting Director of CBO, said that "the Congressional budget process demands specific estimates of how much proposed legislation will cost, so that's what CBO produces. But reality is much more complex, and the actual costs will undoubtedly be more or less. That uncertainty can be frustrating, but it's unavoidable."<sup>1</sup>

Alice Rivlin, CBO's founding director in 1975, said that "Everyone in the process – especially the CBO – knows that it is very, very difficult to make these estimates and that they're no more than very educated guesses..."

Phi Ellis, head of CBO's health insurance modeling unit, admitted this in an October *Washington Post* article, saying: "We're always putting out these estimates: This is going to cost \$1.042 trillion *exactly*. But you sort of want to add, you know, 'Your mileage may vary.'"<sup>2</sup>

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<sup>1</sup> <http://dmarron.com/2009/10/21/your-mileage-may-vary/>

<sup>2</sup> Washington Post, October 19, 2009 "In health debate, those numbers are just numbers"

The Washington Post ran a front page story in October with the headline: “In health debate, those numbers are just numbers,” saying that “the CBO's price tags are educated guesses, but guesses nonetheless.”

**The estimates from the Congressional Budget Office have some key assumptions about this bill being budget neutral.**

The majority in Congress point to CBO’s estimate of their bill as proof it is deficit neutral. CBO could be right, if all the provisions of their bill are fully and permanently implemented. But what if they are wrong?

Americans need to understand that the majority’s CBO score is a house of cards – pull away one care, and the entire stack collapses. In this case, if CBO is wrong, health care spending will skyrocket and the deficit to grow higher, threatening our economic sustainability.

Americans believe the professionals at the CBO are doing their best in estimating the price tag of this bill. But Americans also need to understand what CBO is assuming. There are three key assumptions.

First, CBO assumes that the majority’s bill will allow Medicare’s payment to physicians to be cut 20% in 2011, AND Medicare’s payment to physicians to be cut 40% over the next 10 years. CBO assumes that will happen. Will Americans and physicians really allow a further draconian cut? Physicians would quit seeing Medicare patients.

Second, CBO assumes a massive new tax will be imposed on employer health benefits, hitting 1 in 3 of all American families by 2019. CBO assumes that will happen.

Third, CBO assumes that Congress will permanently cut \$464 million from Medicare – even though the Administration’s own actuary said this level of cuts could bankrupt hospitals and threaten patient care.

If any of these assumptions are wrong, the house of cards will fall apart and the real price tag for this bill will be dramatically higher. America cannot afford “higher.”

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**Medicaid is now the largest health insurance system in the United States and is financially unsustainable, overwhelming state and federal budgets.**

Medicaid spending is now the fastest growing line item in virtually every state in the country. In 2006, Medicaid spending accounted for one quarter of the average state budget.<sup>3</sup>

According to the National Association of State Budget Officers, Medicaid costs will grow much faster than state revenue growth for the foreseeable future, meaning the program will take up an ever-growing share of state budgets.

Unless rates of spending slow down, Medicaid spending will double by 2017. At an average growth rate of eight percent a year, Medicaid is the fastest growing federal entitlement program.

Without changes made to current policies, Congressional Budget Office estimates that the Medicaid program alone will account for almost six percent of the nation's Gross Domestic Product by 2017.

The majority's bill would enroll about half of the currently uninsured – 15 million Americans – into Medicaid, thus further increasing costs to taxpayers at a state and federal level.

**Medicare is already financially unsustainable with the Medicare Trust Fund reaching exhaustion in just 6 years and the number of seniors in Medicare increasing by a third over the coming decade.**<sup>4</sup>

Medicare began running a cash flow deficit last year and the Medicare trust fund reaches exhaustion in 2017.

Medicare's unfunded liability is the difference between the benefits that have been promised to current and future retirees and what will be collected in dedicated taxes and Medicare premiums. Medicare's current unfunded obligations are about \$38 trillion. Medicare's total unfunded liability is more than five times larger than that of Social Security.

Currently, a payroll tax on wages funds Medicare Part A (Hospital Insurance). But if payroll tax rates rise to meet unfunded obligations:

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<sup>3</sup> Stark, Dr. Roger. From "A Review of the Medicaid Program: Its Impact in Washington State and Efforts at Reform in Other States." May 2009. [www.washingtonpolicy.org/Centers/healthcare/policybrief/Medicaid.html](http://www.washingtonpolicy.org/Centers/healthcare/policybrief/Medicaid.html)

<sup>4</sup> <http://www.ncpa.org/pub/ba662> (some quotes contained herein without attribution)

When today's college students reach retirement (about 2054), Medicare (along with Social Security) will burden workers' payrolls with a 25.7 tax percent - more than one of every four dollars workers will earn that year. That is before state or local taxes are counted too!

If Medicare Part B (physician services) and Part D are included, the total Social Security/Medicare burden will climb to 37 percent of payroll by 2054 - one in three dollars of taxable payroll, and twice the size of today's payroll tax burden. More than one-third of the wages workers earn in 2054 will need to be committed to pay benefits promised under current law.

### **Americans cannot afford other costly public options like Medicare and Medicaid which are bankrupting our country**

The public option in the majority's health bill actually has an insolvency warning on page 198. Why should a fiscally solvent, financially sustainable program have an insolvency warning? This seems to be an implicit acknowledgement that the plan runs the real risk of going insolvent.

Medicare is in trouble precisely because they are based on pay-as-you-go financing. Every dollar of payroll taxes is spent. Nothing is saved, and nothing is invested. The payroll taxes contributed by today's workers pay the benefits of today's retirees. However, when today's workers retire, their benefits will be paid only if the next generation of workers agrees to pay even higher taxes.

The bill also sets up an expedited process (using the Medicare Trigger authority) to bail out the government run plan, but there is not limitation on bailout would include, or where additional funds would come from to bail it out.

From the experience of Medicare and Medicaid, Americans know where additional funds come from to prop up failing costly programs: American taxpayers. Americans cannot afford to gamble their fiscal health on programs which are not financially sustainable or fiscally solvent.

## **Landrieu blasts public option**

By Eric Zimmermann - 10/22/09

THE HILL

Sen. Mary Landrieu (D-La.) echoed Republican criticisms of a public option today, suggesting it would bankrupt the country.

Describing the public option as a "government-run, taxpayer subsidized, national insurance plan," Landrieu said it would likely replicate the problems faced by Medicare and Medicaid.

"Why don't we fix the two public options we have now instead of creating a third one," she told NPR's "Tell Me More."

Asked about polls showing public support for a government plan, Landrieu said the questions should be phrased differently.

"I think if you asked, do you want a public option but it would force the government to go bankrupt, people would say no," she said.

Landrieu suggested co-ops as a possible compromise.

Thirty Democratic Senators have pledged to only vote for a bill including a public option. Landrieu, obviously, is not one of them.