

Fiscal Train Wreck Ahead

Nearly a Half-Trillion in Health "Reform" Budget Gimmicks

"In the legislation that has been reported we do not see the sort of fundamental changes that would be necessary to reduce the trajectory of federal health spending by a significant amount. And on the contrary, the legislation significantly expands the federal responsibility for health care costs."

— CBO Director Elmendorf, [Testimony](#) before Senate Budget Committee

Last week the Congressional Budget Office issued two indictments about the ability of Democrat health "reform" legislation. The first came when its Director, Doug Elmendorf, testified that none of the Democrat proposals currently being considered would slow the growth of health care costs—and, by pushing more of those costs on to the federal ledger—would significantly increase the federal government's long-term spending obligations. However, the CBO [score](#) of H.R. 3200 released Friday evening also revealed that Democrat claims to produce a "deficit-neutral" bill amount to nothing more than a budgetary mirage:

- **The House Democrat legislation would increase the federal deficit by approximately \$239 billion over ten years, according to CBO's estimate.** This deficit spending would be on top of record annual deficits projected to top \$1.8 trillion this year alone.
- Some Democrats claim their legislation is "deficit-neutral" by excluding the cost of reforming the Sustainable Growth Rate (SGR) mechanism for Medicare physician payments—the total cost of which stands at \$285 billion over ten years, according to CBO. While Members may support reform of the SGR mechanism, many Members may oppose what amounts to an obvious attempt to incorporate a permanent "doc fix" into the baseline—a gimmick designed solely to hide the apparent cost of health "reform."
- The Democrat bill faces large—and growing—annual deficits in each of the last six years of the budgetary window; according to CBO, deficits will rise from \$5 billion in Fiscal Year 2014 to \$65 billion in 2019. Moreover, the more than half a trillion in proposed tax increases would take effect in 2011, while the coverage expansions would not take effect until 2013. **In other words, the Democrat bill spends so much, it needs eight years of higher taxes to finance six years of spending—and even then cannot come into proper balance without relying on budgetary gimmicks.**
- OMB Director Orszag, testifying before the House Budget Committee in June, asserted that the White House would not support legislation that was not balanced in the long-term—and further [stated](#) that the Administration would not support legislation that increased the deficit in the tenth and final year of the budgetary window. Even taking into account Democrat budgetary gimmicks, H.R. 3200 fails that test—as the bill's \$65 billion deficit in 2019 is nearly double the \$38 billion cost of physician payment reform (which would be moved into the budgetary baseline under Democrats' "fuzzy math.")

- The CBO score also fails to take into account two “directed scoring” provisions—because under the text of the Democrat legislation, CBO would be ordered to ignore nearly \$100 billion in spending. Section 164(d)(1)(C)(ii) of the bill directs that a new \$10 billion reinsurance program “shall not be taken into account” for budgetary scoring purposes. Likewise, Section 2002(b)(3) of the bill directs that nearly \$90 billion in mandatory spending on a new Public Health Investment Fund should not be counted at all for budgetary purposes.
- Between the \$285 billion unpaid-for cost of reforming physician reimbursements, the nearly \$100 billion in “phantom” new entitlements created, and the collective debt interest necessary to finance these unfunded obligations, the Democrat legislation contains approximately a half-trillion dollars in additional deficit spending within the ten-year budget window—and CBO has already admitted that the long-term outlook for federal spending under the bill would be even worse.

At a time of record deficits, the multiple multi-billion dollar budgetary gimmicks in H.R. 3200 are designed solely to mask the full cost of Democrats’ government takeover of health care.

STAFF CONTACT

For more information or questions, please contact Chris Jacobs at 6-2302.