

Analysis: Some health care numbers don't tally

By TOM RAUM, Associated Press Writer Mon Aug 3, 12:02 pm ET

WASHINGTON – Some of President Barack Obama's health care numbers don't seem to add up. And that's complicating his efforts to pass his top domestic priority.

Obama could be falling into the same trap that snagged George W. Bush when he was pushing private accounts for Social Security as part of his "ownership society" in 2005. Bush's claims that the proposal would help shore up Social Security's long-term finances were hard to document mathematically and wound up feeding greater public skepticism.

Obama claims his health effort will not dig the nation deeper into debt and over time will help reduce deficits. He has vowed to not sign any health bill that raises deficits.

But even the nonpartisan Congressional Budget Office says that none of the health plans pending on Capitol Hill would control long-term spending, and that ones with the elements Obama wants would add around \$1 trillion to the deficit over the next 10 years.

Furthermore the CBO said an administration-backed independent council of medical experts to recommend Medicare cuts would only yield modest savings.

The White House stands by its claims. Its allies claim that CBO forecasts, for instance, don't reflect potential future cost savings that might be expected from the prevention of illness achieved from wider health care coverage.

A recent report by the White House Council of Economic Advisers claims that the government can cut the projected level of health spending by 15 percent over the next decade and by 30 percent over the next 20 years. However, some of those reductions would come from fewer services rather than lower payments to providers.

Recent polls show increasing anxiety over federal budget deficits and the failure of Congress to figure out how to pay for health care overhaul.

Suggestions have ranged from taxes on soft drinks to a surcharge on wealthy individuals, from a tax on health insurance benefits paid by employers — opposed by Obama in last year's campaign — to a proposed tax on insurance companies. That, plus letting existing Bush tax cuts expire for wealthier Americans.

White House Budget Director Peter Orszag, a former CBO director, insists that the health care effort "is deficit neutral over the first decade."

Other budget experts are dubious.

During his presidential campaign, Obama repeatedly vowed "you will not see any of your taxes increase one single dime" — although he also talked about raising taxes on families making more than \$250,000

to pay for health care. On Sunday, Larry Summers, Obama's chief economic adviser, said the health care overhaul needs funding from somewhere and refused to rule out higher taxes on middle-income Americans.

"There is a lot that can happen over time," Summers said, adding that the administration believes "it is never a good idea to absolutely rule things out, no matter what."

Some analysts note that new taxes to support the health care plan would begin in 2011 but the benefit parts wouldn't be fully up and running for several more years, resulting in one-time-only extra revenue.

"From what we've seen so far, I don't look at this as a cost-saving effort," said Robert Bixby, executive director of the Concord Coalition, a budget watchdog group. "I don't know how they're going to pay for it, even over the first ten years. Getting off the launch pad is difficult, then controlling the orbit hasn't been figured out yet."

The House headed home for their August recess, and the Senate plans to begin its recess at week's end, after missing Obama's original deadlines for health care votes in each chamber.

At home, lawmakers are certain to be buffeted by constituents who polls show are becoming uneasy over the health legislation debate.

Even members of Obama's party are voicing skepticism while Republicans have mounted a full-bore attack on the program as a costly and risky government "takeover" during a deep recession.

The contentious debate carries overtones of Bush's ill-fated efforts to partially privatize Social Security.

Fresh off a re-election victory, Bush claimed in early 2005 that his proposal to let younger workers set up private investment accounts would help shore up Social Security's finances. He traveled around the country promoting the scheme, much as Obama is today with his health care effort.

Bush insisted such accounts will grow fast enough to provide a better return than the present system. At the time, the Dow was close to 11,000, far above where it sits today.

The Bush White House projected that setting up private accounts would have a "net neutral effect" on deficits. Sound familiar?

But that was true only over the long term, 75 years or more. In the shorter term, creation of private accounts would have required heavy federal borrowing to finance the payment of benefits to current retirees.

Bush eventually made it clear those setting up such accounts would also have to relinquish an offsetting portion of their future guaranteed retirement benefits.

Lawrence Summers, a top Obama economics adviser, said Sunday that, "What the president has been completely clear on is that he is not going to pursue any of his priorities — not health care, not energy,

nothing — in ways that are primarily burdening middle-class families. That is something that is not going to happen," he told CBS.

Health care programs almost always cost more than first projected, including — Obama likes to point out — Bush's Medicare prescription-drug program. "You passed a prescription drug plan and didn't pay for it, handed the bill to me," Obama said in remarks directed at Republicans.

"That's been the history of all these kinds of programs," says Harvard economist Martin Feldstein, who was chairman of the Council of Economic Advisers from 1982 to 1984. He cited both Medicare and Medicaid as examples.

Obama has said the health legislation is vital to achieving economic recovery. But others worry that Obama could damage his cause by overstating his case.

EDITOR'S NOTE: Tom Raum covers the economy and politics for The Associated Press.