YOU CAN'T FOOL ALL OF THE PEOPLE ALL OF THE TIME

Stephen L. Bakke – December 28, 2009

I have had several questions posed to me about new arguments and issues which are surfacing as the health care debate continues in the House and Senate. In this and future reports I will attempt to address several of those while trying not to make too many redundant opinions or comments which I have presented in earlier reports.

> ***"You can fool some of the people all of the time, and all of the people some of the time."*** Congress obviously agrees with this quote. But they forgot to take seriously the balance of the wise advice that concludes: ***"But you can not fool all of the people all of the time."*** (Attributed to Abraham Lincoln)

Pre-cap

We have two congressional versions of health care reform. The next step is for the conference committee to begin ironing out the differences, probably in early January. The House returns in mid January, but the Senate will return to Washington barely in time for the inaugural address. Therefore it appears the votes on the conference version won't occur until February. This delay actually should please the President because he can maximize PR from proclaiming success without the formality of a vote. Remember that what is ultimately passed could have further changes that may not please the administration. In the mean time, uncertainty and confusion reigns.

Absolutely, Possibly So … Maybe … Of That I am Almost Certain!

That's the answer to the question: Will more changes occur in the next few weeks. In any case, there is still time to contact senators and representatives to let your feelings be known. And another thing, while legislation will soon be passed, it doesn't go into effect for several years – after the next presidential election. 2013 is the earliest date for substantive implementation, and it continues through 2014 and possibly into 2015. That's actually a huge blessing. The 2010 congressional elections have huge implications for this issue. You can depend on the Republicans running strong against this and other foolish legislation. If they can gain a foothold in either the House or the Senate, it could have an impact on future "reform of the reform."

Cost Savings? – They're Absolutely Certain that the Answer Might Be: Maybe Not!

"Cheaper health care" has changed to "bend the cost curve". "Affordable for all" is now "deficit neutral". Why the change in goals? Because the democrats and the administration finally realized that their "pipe-dream" of significant savings just couldn't happen as a result of their product. There is absolutely nothing about the current versions of legislation that has even a hint of cost savings. (If you disagree, please advise.) What

does "bend the cost curve" really mean? It merely means: "slow the increase." And using another math term, costs will "asymptotically approach" a much higher number.

Unfortunately, Liars Figure

Squeezing Blood Out of a Turnip

I think the rank and file was slow to realize the absolute impossibility of their health care economic claims. Adding 15% more citizens to the roles, while decreasing costs, soon proved to be impossible. So they claimed the overall savings and the increased patient load would be paid for by trimming inefficiencies from the system. But from where? Where else but from the "inefficiencies and fraud" so common in Medicare and Medicaid ("the Meds")! That plan was smugly advanced in the face of parallel claims extolling the efficiencies of those same systems. Yes, they want it both ways – a common theme.

Whip-lash CBO Scoring

Time after time, the CBO came back first with legislative budget projections adding to the deficit, then reducing the deficit. First they predicted very little improvement in numbers being insured, then with much improved predictions. First this projection , and then that prediction, and on and on. How can you have it both ways? As I have learned, the CBO is very dependable and honest, but doesn't have the leeway to do a lot of creative analysis. They do what they are told, and that means they use the assumptions they are given. If the result of those assumptions is undesirable, new assumptions may be supplied – literally an iterative process whereby the result becomes more and more palatable. We also should know that it is not CBO's responsibility to predict any change in predictions that will result from certain evolution of fact and circumstance.

Consider the Doc "Fix" (I hope Doc gives me a painkiller and uses a sharp knife!)

When the results still showed marginal or significantly unattractive results, it was time to get even more creative. Remember the "Doc Fix"? That is a legislative measure whereby substantial proposed reductions in Doctors' reimbursement rates for "the Meds" are to be appropriately and perpetually delayed. The inevitable higher costs for "Doc Fix" were in the CBO estimates and the results were unattractive. What happened? "Doc Fix" costs were separated from the reform legislation, but they WILL be approved separately. Thus it will not count against the CBO score for the reform legislation, but will increase the deficit overall. Since it was separated from the debate, it was downplayed – after all, its removal made the reform's cost impact look better. That's "B as in B, S as in S"! Impact? Just a couple hundred billion dollars!

My Back Hurts!

A basic rule in any accounting or budget system is the "matching concept". That means, in order to be meaningful, revenues and costs MUST relate to the same time period. In public companies, a material violation of this concept would result in fraud charges with the possibility of prosecution. But not in congress where different rules apply! Both houses laid claim to being budget neutral, or even better, over the decade beginning in 2010. But here's the rub: Substantially all costs of the reform occurred during the period 2014 through 2019, whereas the revenue (increased taxes and reductions to expenditures

for "the Meds") would start immediately in 2010. That's called BACK LOADING! VOILA – and out came the desired deficit neutrality. Using the same assumptions and done properly, the first decade after implementation (2014 through 2023) would show much higher costs and probable severe deficit implications. Impact? In the hundreds of billions of dollars.

That Was Easy So They Went After More

The first back loading scam worked so well they tried it again. The Senate bill would create a long-term care program (CLASS Act) which would charge premiums immediately, but the apparent assumption is that those signing up would be younger and require very few benefits during the decade being measured starting in 2010. Estimated impact? A mere $72 billion.

More Shell Games?

And there were more "faux pas" such as claiming certain funds taken from "the Meds" could be used to cover costs in the overall reform. As pointed out in a CBO "caveat" memo, some of the funds taken from "the Meds" result in an obligation of the general fund – i.e. it is OWED to "the Meds'" trust funds. That means the funds so designated must be paid back to those trust funds and if spent alternatively on health care reform, it would be adverse to the deficit. Their memo referred to this as "double counting" (really it's double spending). The CBO did not revise their original report because they had followed instructions as to assumptions to use – as they are supposed to do. There's another couple hundred billion dollars interfering with the claim of deficit neutrality.

The State of the States?

Ever heard of unfunded state mandates? This means that, as a result of this reform, costs for "the Meds" will increase for each individual state, without funding from the federal government. CBO estimates do not include this in their cost predictions. This is glossed over by the democrats. If my "ten key" skills are still dependable, the preliminary total of state spending increases in just Medicaid is almost $15 billion for the Senate bill. But that's before "special deals".

So Much for "Cheaper Health Care for All"

Add up everything in this section and there is nothing close to budget neutrality – even if one permits the "back loading" of costs vs. revenues. And remember that much of the true revenue comes from substantially increased taxes and fees charged to large segments of the population.

Odds and Ends – Some Odder than Others (Gotta' clean out my file)

- In their favor, current versions have neither a public option nor do they expand Medicare to age 55, but believe me, they want to come back with that soon.
- Insurance exchanges likely will be set up in which insurers can compete (perhaps nationally) for certain business. These exchanges would be run by each state (Senate version – the House has a national exchange) but under requirements established by the Federal government. At first I wasn't bothered by the Senate

version but I am concerned that this may be a "Trojan horse" leading to gradual implementation of a public option.

- Many estimates leave a large number uninsured (5% to 10%), even after several years. Then why are we doing this!?
- They proclaim that cuts in "the Meds" do not cut off any guaranteed benefits (I believe it) – and won't result in the rationing (I don't believe it). They will cut the reimbursement rates for services paid for providers. It will be harder to find someone to treat you if you are dependent on Medicare or Medicaid.
- If you hear arguments about our sub-par system as "proven" in studies by The World Health Organization, The Commonwealth Fund, and even the recent study by Deloitte, refer back to prior reports I have provided. Remember that these studies (including the Deloitte study) were based on interviews with health care consumers in countries around the globe. They gave little if any attention to cultural differences or actual medical outcomes. That would require examining medical records. Alternatively, check out NCPA's recent report based on medical records and actual outcomes.
- There is no tort reform in either version. In fact, it's even effectively prohibited in the house version. This means a huge potential cost savings isn't even given lip service. Trial lawyers have huge influence in the Democrat Party!
- The penalties for not purchasing insurance for yourself, or for employees, would be very small. These low penalties would give incentive to companies to stop providing coverage, and to individuals to wait until they are sick to seek coverage. How is that adding value?
- Much funding comes from reducing expenditures for "the Meds". Since they are unfunded anyway, where does that money come from? It's not there to be cut!
- Medicare Advantage (by all accounts efficient and effective) will be cut.
- Some see potential problems for one of the smartest things ever tried – special tax treatment for Health Savings Accounts. It may be in danger of creative "changes."
- Most "possible" problems are supported by outside studies, including the CBO's.
- Are there viable constitutional issues? I'll come back to that if the subject "gets legs."

Keep these things in mind as we maintain and even strengthen our resolve. Keep the pressure on for wise reform! If my information and opinions can help, please forward.

I extend thanks, as always, to the many writers, commentators, researchers, and others, from all political extremes, whose hard work helps me greatly. They gather details and present much information. About all I do is gather, organize, summarize, and attempt to fill in with comments – commonly referred to as my **frequent "RANTS".**

More comments will follow on important topics and personal thoughts as our President battles through tough territory. I want to join other conservatives in recognizing and respecting our new President – and supporting him when we should. But when we oppose our President's policies, we should act in accordance with values of decency – but that doesn't preclude a healthy dose of sarcasm and satire, which are valuable tools for political commentary.