



♪ HI HO! ... HI HO! THAT DUMB “CLASS ACT” IS DEAD! ♪ – OBAMACARE MISSED THE BOAT AGAIN!

Stephen L. Bakke  October 16, 2011

How many legs does a dog have if you call the tail a leg? Four! Calling a tail a leg doesn't make it a leg. – Abraham Lincoln

Before Looking at Recent “CLASS ACT” Developments Let's Take a Look Back

The above quote from “Honest Abe” parallels my message a year and a half ago in a report titled *Congressional Budget Office – Since When Does Two Plus Two Equal Three?* It was all about the democrats' wanton disregard for presenting facts accurately about the promises of Obamacare. And when it came to the process of “scoring” the legislation, they became almost fraudulent by manufacturing absurd gimmicks and assumptions for the Congressional Budget Office (CBO) to use in projecting the economic impact of Obamacare.

The CBO can't be blamed for any of this misrepresentation. They must accept the assumptions they are given, and can't second-guess about plausibility. **But** they can point out when there is flawed “math” used in the assumptions. This happens rarely, but there was a CBO memo about the democrats' (intentional?) “double-counting.”

Congress was heralding the fact that most of the additional health care costs in the new law would be paid for by the “waste, fraud, and abuse” savings in Medicare. I understand that, at about the same time, but in a different analysis, CBO was asked to acknowledge that cutting hundreds of billions of dollars out of Medicare would strengthen the financial footing of Medicare, and significantly delay any concern over its funding.

Of course, each of those studies may have been credible taken individually, but CBO issued a memo pointing out that you can't have it both ways. CBO referred to this as “double counting.” I refer to it as double spending. If costs are saved in Medicare, that program is strengthened only if those savings are not spent on something else. But Congress was making both claims simultaneously.

That Led Me to a Whole List of Sneaky Maneuvers by Obamacare Supporters

Remember that the congressional democrats were able to get an advance “glimpse” at the preliminary CBO report and then “tweak” the assumptions and instructions to be used by CBO. I have come up with a (probably incomplete) list of adjustments, omissions, gimmicks, double counting, and possibly fraudulent assertions:

- **Consider the “Doc Fix”** – This is the traditional practice of perpetually delaying reduction in Doctors' reimbursement rates for Medicare and Medicaid. When the CBO scoring results persistently showed unattractive results, it was necessary to get creative. What happened? “Doc Fix” costs were separated from the reform

legislation, **but they were to be approved separately in different legislation. Thus it will not count against the CBO score for the reform legislation, but will increase the deficit overall.** Impact? Just a couple hundred billion dollars!

- **Front-loading Revenue While Back-loading Costs** – 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 and possibly prosecution. But not in Congress where different rules apply! Here’s the “rub”: Substantially all costs of the reform were to occur during the period 2014 through 2019, whereas the revenue would start immediately in 2010. **VOILA** – out came the desired deficit neutrality. Impact? In the hundreds of billions of dollars.
- **Double Counting** – As discussed earlier, while claiming to be strengthening Medicare by taking out “waste, fraud, and abuse,” they used the funds to fund the new law. That’s just not right. If you accept the premise of strengthening Medicare’s viability in this manner, the funds ARE NOT available to fund reform. Impact? Almost \$500 billion.
- **Costs Left Out Entirely** – It appears that to operate the new programs, even in the first 10 years, future Congresses would need to vote for billions in additional annual spending. These are referred to as “discretionary spending”, but many believe future Congresses will have little choice. These costs were left out of the CBO cost estimates. Impact? About \$114 billion, according to (believe it or not) the NY Times.
- **Student Loan Legislation** – WHY THIS for goodness sake?! This deserves a real Norwegian **UFF DA!** A federal takeover of the student loan program was slipped into the final legislation through some thin thread of logic. This takeover was a separate agenda item, but when they saw they could predict some cost savings compared with the current student loan program, it was attached to the health care legislation – thereby getting closer to “revenue neutral”. Impact? \$19 million dollars.
- **The State of the States?** – Ever heard of unfunded state mandates? This means that, as a result of this reform, costs for Medicare and Medicaid will increase for each individual state, without funding from the federal government. **CBO estimates do not include this in their cost predictions.** This fact is glossed over by the democrats. Impact? I don’t think there is an updated estimate for this cost. But BIG!

And last, but certainly not least in its use of “chicanery,” we have the CLASS ACT:

- **The CLASS ACT!?** – The other back loading scams worked so well they tried again. The legislation created a long-term care program (**the CLASS ACT**) which would charge premiums immediately, **but the apparent assumption was that those signing up would be younger and require very few benefits during the decade being measured starting in 2010 was wrong, or at least deceitful!** Once again – revenues early with expenses coming later. Estimated impact? A mere \$70 billion.

The following caught my eye as reminiscent of the “shell game” being disguised as legitimate policies and cost estimates:



Pray Tell! What Fate Has Befallen the CLASS ACT? Was I Right?

During the last couple of days, there have been many press reports headlined by something like this (from the Ft. Myers News-Press):

***Key Part Cut From Health Care Law** – The Obama administration announced Friday that it will not move forward with a new long-term care insurance plan – a major part of its health care law – because of problems with paying for it “despite our best analytical efforts, I do not see a viable path forward” wrote HHS Secretary Kathleen Sebelius in a letter to Congress.*

*Senate Minority Leader Mitch McConnell, R-Ky., stated “[they] acknowledged today what they refused to admit when they passed their partisan health bill – the **CLASS ACT** was a budget gimmick destined to fail in the real world.”*

That Was Just My Point in My Old Report!!!

Sebelius now has specifically admitted that there were design flaws that can't be fixed to make it financially self-sustaining. It was obvious from the very beginning that the **CLASS ACT** was a gimmick inserted to “ostensibly” make the original bill revenue neutral. Any reasonable analysis at the time showed that. We didn't need to wait for time to pass to understand that!

This was a bitter disappointment for proponents of the program, and Obamacare in general. But what is it they don't understand? It was obvious and inevitable that this program wouldn't be financially sound. This benefit provided relatively modest coverage, and to be financially viable, it needed to attract lots of healthy young people in order to pay for those laying claim to benefits. But what was confusing about the fact that if the young and healthy were going to get this type of coverage, they would go to the commercial market where much better policies were available. Why was that so hard to understand early on? It wasn't! They just needed this **CLASS ACT** tacked onto the original bill which, along with absurd assumptions, would temporarily pass the “cost test.” It was a house of cards!

LIKE WE SAID WAY BACK THEN, there were many gimmicks and unproven assumptions cobbled together to fraudulently make the legislation appear to be effective and revenue neutral! This is just one of many! This is one more example of how naïve (or stupid) many in the administration and congress are, to think they can forever pull the wool over the eyes of U.S. citizens. It's an abomination of foolish declarations! **At best they are in “way over their head”! At worst ?!**

And there are many more “accidents waiting to happen” in the dreaded health care legislation! Stay tuned!

I opened this report happily singing, and I will close it the same way:

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