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Lawmakers Warned About Health Costs CBO Chief Says Democrats' Proposals Lack Necessary Controls on Spending

By Lori Montgomery and Shailagh Murray Washington Post Staff Writers Friday, July 17, 2009

Congress's chief budget analyst delivered a devastating assessment yesterday of the health-care proposals drafted by congressional Democrats, fueling an insurrection among fiscal conservatives in the House and pushing negotiators in the Senate to redouble efforts to draw up a new plan that more effectively restrains federal spending.

Under questioning by members of the Senate Budget Committee, Douglas Elmendorf, director of the nonpartisan Congressional Budget Office, said bills crafted by House leaders and the Senate health committee do not propose "the sort of fundamental changes" necessary to rein in the skyrocketing cost of government health programs, particularly Medicare. On the contrary, Elmendorf said, the measures would pile on an expensive new program to cover the uninsured.

Though President Obama and Democratic leaders have repeatedly pledged to alter the soaring trajectory -- or cost curve -- of federal health spending, the proposals so far would not meet that goal, Elmendorf said, noting, "The curve is being raised." His remarks suggested that rather than averting a looming fiscal crisis, the measures could make the nation's bleak budget outlook even worse.

Elmendorf's blunt language startled lawmakers racing to meet Obama's deadline for approving a bill by the August break. The CBO is the official arbiter of the cost of legislation. Fiscal conservatives in the House said Elmendorf's testimony would galvanize the growing number of Democrats agitating for changes in the more than \$1.2 trillion House bill, which aims to cover 97 percent of Americans by 2015.

A lot of Democrats want to see more savings, said [Rep. Mike Ross](#) (D-Ark.), who is leading an effort to amend the bill before next week's vote in the Energy and Commerce Committee. "There's no way they can pass this bill on the House floor. Not even close."

Republicans also seized on Elmendorf's remarks, with House [Minority Leader John A. Boehner](#) (R-Ohio) saying they prove "that one of the Democrats' chief talking points is pure fiction." [Senate Minority Leader Mitch McConnell](#) (R-Ky.) said Elmendorf's testimony should serve as a "wake-up call" to Obama and Democratic leaders to heed requests from lawmakers in both parties to slow down the process.

[Sen. Olympia Snowe](#) (R-Maine) said she delivered that message directly to Obama at the White House

yesterday, and strongly urged him to give up his August deadline so bipartisan negotiators in the Senate Finance Committee can craft a new reform plan that does more to control costs.

"I think it would be prudent for the president to be patient," said Snowe, whom Obama is courting aggressively. Bipartisan approval of a finance bill "can provide huge impetus for the success of this legislation and achieving broader support as it goes through the legislative process."

Talks in the Senate broke late yesterday, with plans to resume next week. Senate Finance Committee Chairman [Max Baucus](#) (D-Mont.) said the group is considering about a dozen options to cover the estimated \$1 trillion cost of its package, including reductions in Medicare spending and additional tax increases.

[Sen. Charles E. Grassley](#) (R-Iowa), whose support could compel numerous GOP senators to take a serious look at the package, said he is "hoping" to embrace the final product. Otherwise, he said, "I wouldn't be at the table." After Elmendorf's testimony, Grassley said Senate negotiators are determined to "overcome the shortcomings" of the House proposal.

The chairman of the Senate Budget Committee, [Sen. Kent Conrad](#) (D-N.D.), also has taken a leading role in the Finance Committee negotiations. Yesterday, when Elmendorf appeared before Conrad's committee to testify about the nation's long-term budget problems, Conrad focused his questions on the House and Senate committee measures, which were drafted without Republican input.

"I'm going to really put you on the spot," Conrad said. "From what you have seen from the products of the committees that have reported, do you see a successful effort being mounted to bend the long-term cost curve?"

Elmendorf responded: "No, Mr. Chairman." Although the House plan to cover the uninsured, for example, would add more than \$1 trillion to federal health spending over the next decade, according to the CBO, it would trim about \$500 billion from existing programs -- increasing federal health spending overall.

Some provisions of the bill have the potential to trim spending further, Elmendorf said, but "the changes that we have looked at so far do not represent the sort of fundamental change, the order of magnitude that would be necessary, to offset the direct increase in federal health costs that would result from the insurance coverage proposals."

Asked what provisions should be added, Elmendorf suggested changing the way Medicare reimburses providers to create incentives for reducing costs. He also suggested ending or limiting the tax-free treatment of employer-provided health benefits, calling it a federal "subsidy" that encourages spending on ever-more-expensive health packages.

Key senators, including Conrad, have been pressing to tax employer-provided benefits, but Senate

leaders last week objected, saying that the idea, which Obama opposed on the campaign trail, does not have enough support to win passage. Yesterday, Baucus said White House opposition had hindered acceptance of the tax, which critics said would target police and firefighters who receive generous benefits packages.

Grassley said he urged Obama earlier this week to reconsider the tax, which the CBO has repeatedly identified as one of the best tools available for driving down long-term federal health spending. Obama said he could not do that, Grassley recalled. "Does he really want to bend the cost curve? He ought to be out in front on this issue and endorse it," he said.

The benefits tax is also hugely unpopular in the House, which has instead proposed a surtax of as much as 5.4 percent on income exceeding \$350,000 a year to pay for health reform. "You're not going to get a tax on health benefits," said [Rep. George Miller](#) (D-Calif.), chairman of the House Committee on Education and Labor.

But [House Speaker Nancy Pelosi](#) (D-Calif.) said she welcomes other efforts to improve the bill, including demands for additional savings.

"Can there be more? I think so," Pelosi said. "And that is what the legislative process is about. You don't write the whole bill, introduce it and then go to the floor. This is the time now for an open process of bipartisan review of the bill in the committees."

Meanwhile, a growing number of physician groups are also objecting to the House package. Although the chief executive of the American Medical Association pledged yesterday to "help build support" for the legislation, as many as 20 state medical societies have drafted a letter to congressional leaders vowing to fight creation of a government-sponsored health insurance program that could compete with private firms.

Staff writer Ceci Connolly contributed to this report.

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