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Obamacare Targets Entitlements

By Stephen Lendman
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Meeting with the Washington Post's editorial staff on January 16, President-elect Obama pledged to reform entitlements saying the process would begin straightaway by convening a "fiscal responsibility summit" before delivering his first budget to Congress.

> "What we have done is kicked this can down the road. We are now at the end of the road and are not in a position to kick it any further," he said. "We have to signal seriousness in this by making sure some of the hard decisions are made under my watch, not someone else's."

Key, he said, is reigning in entitlement costs by making "very difficult choices and….sacrifice(s)….Social Security, we can solve. The big problem is Medicare (and, of course, Medicaid covering 60 million in 2005), which (are) unsustainable."

In a major April 14 Georgetown University speech, he again highlighted the problem saying cutting health care costs and "restoring fiscal discipline" are two of the top "pillars" of his agenda.

"Let's not kid ourselves and suggest that we can solve this problem by trimming a few earmarks," he said. The "biggest cost drivers in our budget are entitlement programs like Medicare, Medicaid, and Social Security, all of which get more and more expensive every year, (so) if we want to get serious about fiscal discipline – and I do – we will have to get serious about entitlement reform," implying a clear long-term goal of:

> — shifting the burden from Washington, handing it to the states, and ultimately to taxpayers directly with no government aid or indirectly through taxes.

The US Debt Clock.org shows why. Besides the official $11.9 trillion exponentially growing national debt (some economists say $15 trillion or more), the big problem is unfunded liabilities:

> — $13.9 trillion for Social Security;
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> — $18.4 trillion for prescription drugs; and
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> — $73.3 trillion for Medicare/Medicaid for a total of nearly $105.7 trillion.

Primarily through health care cost cuts, Obama pledged in his first year to begin controlling these unsustainable obligations.

The Congressional Budget Office (CBO) and Other Recent Reports Highlight the Problem

The CBO's June 2009 "Long-Term Budget Outlook" projects future budget deficit and national debt estimates.

Both suggest future economic decline, eventual hyperinflation, and deep erosion of personal savings. Already the national debt is more than during the Great Depression, and it's fast heading for surpassing WW II. According to the report, this burden will:

— "reduce national saving;"

— create the need for "more borrowing from abroad;"

— reduce "domestic investment;

— depress income growth in the United States;" and

— "seriously harm the economy."

In addition, "Lenders may become concerned about the financial solvency of the government (and) demand higher interest rates to compensate for the increasing riskiness of holding government debt." Worrisome as well – "Both foreign and domestic lenders may not provide enough funds for the government to meet its obligations."

Admitting its estimates may be grossly understated, the CBO said its projected budget shortfalls are unprecedented in US history, signaling a growing urgency to address them.

Further, the analysis omits how financial markets will react, but it anticipates "much more (disorder) as investors' confidence in the nation's fiscal solvency beg(ins) to erode….causing (dollar valuations to) plunge, interest rates to climb, and consumer prices to shoot up."

The Federal Reserve's second quarter "Flow of Funds Accounts" report highlights the problem by showing federal spending crowding out businesses and consumer households. In Q 1 2009, the Treasury borrowed $1.443 trillion, and in Q 2 $1.896 trillion with projected continued high levels ahead.

In contrast, bank credit has dried up. Q 1 2009 outstanding loans were liquidated at an $857.2 billion annual rate and $931.3 billion in Q 2. In addition, net new mortgages aren't being created. Instead, annualized liquidations hit $39.3 billion in Q 1 and $239.5 billion in Q 2. Cash availability through credit cards eroded by $95.3 billion in Q 1 and $166 billion in Q 2.

According to Professor Tim Congdon of International Monetary Research, "There has been nothing like this in the USA since the 1930s. The rapid destruction of money balances is madness," suggesting serious trouble ahead.

The September 2009 US Treasury Bulletin adds more by showing America owes foreign investors nearly $7.9 trillion, and suggesting that these sources may begin drying up and eventually contract because dollar investments no longer are safe. Some, in fact, say the time for alternatives is now.

Medicare Reform Through MedPAC – The Medicare Payment Advisory Commission

Established in 1997 as an independent congressional agency, it advises Congress about Medicare. Each year, it submits a "Report to the Congress: Medicare Payment Policy," the latest on March 17, 2009 for FY 2008 with recommendations to the nation's lawmakers:

"to help constrain costs both in the short and long run. (These) recommended actions are one part of a broader array of recommendations aimed at more fundamentally reforming Medicare's delivery system," including achieving greater overall "efficiency" to control the unsustainable out-year costs.

However, since recommendations aren't policy, S. 1110: Medicare Payment Advisory Commission (MedPAC) Reform Act of 2009 (with one co-sponsor) was introduced in the Senate on May 20:

> "to amend title XVIII of the (1935) Social Security Act, making the Commission an executive branch agency, and providing the Commission new resources and authority to implement Medicare payment policy."

Then, on June 4, HR 2718: Medicare Payment Advisory Commission (MedPAC) Reform Act of 2009 was introduced in the House (with no co-sponsors) for precisely the same purpose.

In other words, both bills will let White House appointed bureaucrats dictate future policies, including payment rates and benefits, trial programs, and various other initiatives outside of congressional control for the first time ever. Thus far, they remain in committees, so it's uncertain if Congress will relinquish its long held power. If it does, for Medicare and Medicaid combined, it will be step one toward eventually ending what over 100 million Americans rely on – a steadily rising total as the population ages and growing numbers of poor and lower income people have no other source of care.

House and Senate Health Care Reform Bills

The House bill is HR 3200: America's Affordable Health Choices Act of 2009. The Senate's version is America's Healthy Future Act of 2009. After clearing the Finance Committee on October 13, further consideration now moves to both floors where significant hurdles remain.

In an earlier article, this writer explained that House and Senate bills will ration health care, enrich insurers, drug companies, and large hospital chains, and make a dysfunctional system worse. If Obamacare passes, hundreds of billions in Medicare cuts will harm seniors. Most others as well, especially the poor, chronically ill, all working Americans paying more and getting less, and millions more left uninsured. In addition, employers will be able to opt out of providing coverage, but since insurance will be mandated, those without it will have to buy it or face hundreds of dollars in penalties – still a debated figure ahead of House and Senate floor debate, votes in both chambers, and if passed, approving final legislation to be sent to the President for signing.

Four of the five House and Senate versions include a public option. Only the Baucus bill excludes it. Instead, it calls for expanding nonprofit health care cooperatives, similar to ones in many states that sell insurance, can pick and choose their members, are able to charge premiums comparable to private insurers, and in most areas provide little, if any, real

competition.

If a public option becomes law, it will provide fig leaf cover for a weak and ineffective plan, not what many want but won't get. Most, in fact, won't qualify because it'll be a limited to high-risk individuals, offloaded to the government for substandard care under an "adverse selection" process. Private insurers will get to skim off the cream, charge as much as they want, profit handsomely at low risk, and leave Washington stuck with ones the industry doesn't want.

Yet they want more, are using hyperinflated cost estimates well above projected increases without "reform" legislation, and claim Medicare cuts will mean higher costs for the privately insured. They also say taxing higher-priced "Cadillac" plans and being prohibited from denying preexisting conditions will raise costs for everyone.

More still according to Wendell Potter, former PR executive for CIGNA insurance, now a whisleblower exposing shenanigans he saw on the inside, including the industry's "Medical Loss Ratio" (MLR) profit margin. Until about two decades ago, it was five cents on the dollar. Now it's a quarter or five times as much, and they're still not satisfied, so they're going for broke on Obamacare to skim hundreds more billions off the top in what will be greater than ever grand theft if they get it.

Other likely final legislation features will include:

> — providing government subsidies of about $460 billion to lower income people over ten years to buy private insurance;
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> — expanding cost-sharing with the states for an additional 14 million Medicaid recipients because of growing numbers of poor and lower income households needing it; in addition, raising the income threshold so more people qualify at a time the need is the greatest in decades;
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> — exacting deep Medicare and other social service cuts to fund it – for starters, around $400 billion in federal programs for the elderly, poor, and disabled over 10 years; another $200 billion in lower payments to providers; and $113 billion in Medicare Advantage cuts affecting 10 million seniors getting benefits through private insurers;
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> — taxing so-called "Cadillac" plans by levying them on insurers to be passed on to customers through higher premiums, larger deductibles, and/or less coverage, even though these plans mostly cover state employees, municipal union members, and other working Americans, not just the well-off;
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> — exacting more Medicare cuts ahead, including from a White House appointed independent Medicare Commission to curb "excess cost growth" by rationing care through capping costs, denying expensive tests, procedures and drugs, and incrementally ending Medicare as we know it to deny future generations of seniors of what those covered now get – packaged as "health care reform" with deceptive promotion to disguise a scheme few will understand until they need expensive care and can't get it.

As bad, millions will be left uninsured or underinsured as Washington cuts back on its obligation to provide universal quality care as a human right. Instead, final legislation will be class-based on the ability to pay with growing millions of poor and lower income people offered sub-standard care, millions left out entirely, and a time coming when only those who

can afford it will be covered, no others. That's Obamacare's bottom line, but expect no public discourse to explain it.

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