

# Economic Policy Institute

Research and Ideas for Shared Prosperity

## What's needed is health care reform, not an entitlements commission

Monique Morrissey February 20, 2009

In response to pressure from Blue Dog Democrats, the administration is hosting a "fiscal responsibility summit" on February 23. Though it remains unclear what will come out of this process, some press reports, notably a [Wall Street Journal article](#), claim the president "gave the nod" to a bipartisan commission whose recommendations would be put to an up-down vote before Congress.

The commission idea is being pushed by Pete Peterson, the billionaire investment banker and former Nixon cabinet member behind the movie *I.O.U.S.A.* Yesterday, it also received the backing of a panel of heavyweights convened by the Brookings Institution and the Heritage Foundation. Though it is premature to assume that the administration has agreed to give an independent (read: unelected and unaccountable) commission such power over our most important government programs, the buzz has caused understandable dismay among advocates gearing up for a universal health care offensive who now face the prospect of again playing defense on Social Security.

We hope that the president will reject the idea of bypassing Congress, and use the occasion of the summit to make clear that we do not have a fiscal deficit problem so much as a problem of spiraling health care costs throughout the economy, not just in government programs like Medicare and Medicaid.

Neither Social Security nor an aging population are major problems. The projected Social Security deficit is very small, 0.6% of GDP over the next 75 years according to the Social Security Trustees (0.4% according to the Congressional Budget Office). To put this in perspective, this is [less than the cost of making the Bush tax cuts permanent for the top 1% of the population](#). It is also well within the margin of error for such a long-term projection, since the Trustees' five-year-ahead projections have been off by an average of 0.4% of GDP for the past decade.

Medicare and Medicaid are another story, but the problem is uncontrolled health care costs, not demographics or greedy beneficiaries. If nothing is done, the [Congressional Budget Office projects](#) that Medicare and Medicaid spending will balloon from 4.1% of GDP to 18.6% or more over 75 years. Meanwhile, CBO expects federal spending on all other programs, including Social Security, to stabilize at a relatively low share of GDP by historical standards.

Theoretically, deficit reduction and health care reform should go hand in hand. As President Obama has pointed out, "we can't solve Medicare in isolation from the broader problems of the health care system." But addressing health care narrowly in the context of public sector spending could lead to cuts in critical programs and cost shifting that do nothing to address the underlying causes of health care cost inflation.

Comprehensive health care reform would get at the root of the problem: our highly inefficient quasi-market-based system. The U.S. spends twice as much as a share of GDP as other industrialized countries with less favorable outcomes, including longevity. According to an [independent analysis of the Health Care for America plan](#), developed by Jacob Hacker as part of

Sign Up to Stay Informed

GO

Search EPI sites

Google™ Custom Search

RELATED PUBLICATIONS

[The Corrosive Effects of Inequality on Health](#)

[EPI's guide to health care reform](#)

[Exposing some health care urban legends](#)

[Employer Health Costs Do Not Drive Wage Trends](#)

[Senate health bill scores big for small business: Bill would help provide affordable, stable coverage](#)

[House health care bill is right on the money: Taxing high incomes better than taxing high premiums](#)

[Calling in sick not an option for most low-paid workers](#)

[The House Wins](#)

[Fast-Track Entitlements Commission is the Wrong Approach for Social Security](#)

[Building a Sound Health Care Bill](#)

See more publications about: [Health Care](#) [Health Policy](#) [Retirement](#) [Social Security](#)

BROWSE OTHER PUBLICATIONS BY MONIQUE MORRISSEY

[What's needed is health care reform, not an entitlements commission](#)

[Top newspapers play into Social Security scaremongering](#)

[Toward a universal, secure, and adequate retirement system](#)

[Making mountains out of molehills: Do teacher pensions create "peculiar incentives" for retirement?](#)

[Obama Retirement Plan Falls Short](#)

[Browse All Publications](#)

EPI's Agenda for Shared Prosperity, comprehensive health care reform could provide universal coverage while reducing costs by over a trillion dollars over the next decade.

Rescuing a spiraling economy and a rotten financial system takes a lot of money, so it is understandable that the administration wants the public to see it is serious about tackling deficits. But bypassing Congressional deliberations is undemocratic and unnecessary. It is usually presented as a way to get past pork barrel politics-the fact that the people paying closest attention are those with the narrowest interests at stake-but it makes no sense as a way to approach changes in the most critical programs providing health and retirement security in an age of insecurity.

The suggestion is that Social Security comes at expense of younger generations-that the senior lobby will protect its own. But Social Security is not only the primary source of income for two-thirds of older Americans, it is also [the single most important anti-poverty program for children](#), millions of whom live in households supported by disability, survivor, or retiree benefits. And it is younger workers-already losing two years of covered benefits in scheduled cuts-who will bear the brunt of additional benefit cuts.

A smoky-back-room approach is especially dangerous given the misinformation about entitlement programs. Though George Bush overreached when he tried to privatize Social Security, he got a consolation prize in that he managed to convince many people that the system was in serious trouble. Progressives may have the facts on their side-the long-term fiscal challenge is health care reform, not entitlement programs-but the opposition is better organized and better funded. We need a deliberative process that will help educate the American public on the importance and efficacy of these programs, not a secretive one that perpetuates myths about "the iceberg" of entitlements.

Next to health cost inflation, our most serious fiscal problems come from a refusal to pay for government services. Under the Bush administration, federal revenues declined from 19.8% to 18.5% of GDP due to tax cuts. Meanwhile, federal spending on programs grew from 16.7% to 19.3% of GDP, with more than three fourths of the increase due to higher defense and security spending, according to [an analysis by the Center on Budget and Policy Priorities](#).

This is not the time for cuts in social insurance programs. Retirement experts predict that Americans born in the past half century will have less retirement security than their parents, a historic reversal linked to the decline of traditional pensions and the rise of "you're on your own" 401(k)s. Meanwhile, the share of Americans under 65 covered under employer-provided health insurance was falling by [nearly a percentage point per year](#) even before the economy went into a tailspin. With Americans facing 401(k) balances that have dropped by 30% or more, scheduled Social Security benefit cuts, and rising medical expenses, the focus should be on whether we are devoting *enough* resources to social insurance programs, not too many.

