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For Immediate Release

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Real Cost of Kennedy Bill Nearly $2 Trillion over 10 Years

Washington, D.C. – With the Congressional Budget Office (CBO) projecting an expansion of Medicaid to cost approximately $500 billion, the total cost of the Kennedy health care bill once it is fully implemented would approach nearly $2 trillion.

"How are we going to pay for a $2 trillion bill? We're already getting swallowed up by runaway deficits and debt that are going to threaten our fiscal security for decades to come," said Senator Mike Enzi (R-Wyo.), Ranking Member of the Senate Health, Education, Labor and Pensions (HELP) Committee and the Senate's only accountant.

"Our nation is in peril, and we cannot ignore the enormous costs of this bill and the very negative impact it will have on our financial crisis."

According to the Congressional Budget Office (CBO), the Kennedy bill would cost $868 billion from 2010-2019. However, the program would not be fully implemented until 2014, after which the annual costs would increase substantially. In the ten year period after the bill is fully implemented, the bill would cost approximately $1.5 trillion. CBO projects that the massive expansion of Medicaid, assumed by the bill's authors, would cost an additional $500 billion, bringing the real cost of the Kennedy bill to approximately $2 trillion over ten years.

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PREPARED REMARKS OF SENATOR MIKE ENZI
HELP COMMITTEE MARK UP
JULY 8, 2009

Thank you, Mr. Chairman. I have talked a lot over the past few weeks about the estimated cost of this legislation. I have said repeatedly that this bill breaks several core promises made by President Obama. Among these promises, the President has committed that health care reform will be fully paid for. In his speech to the American Medical Association last month, the President said, "Health care reform must be and will be deficit neutral in the next decade." I would like to take time to frame for people why I have focused so much on the costs of this bill.

What do we know about the cost estimates of this bill? We know that the bill in its current form increases the federal deficit by over $600 billion over the next ten years. Additionally, we know from the other side that there is a clear intent to increase Medicaid eligibility and, therefore deficit spending, to a level that CBO has estimated this week could, "vary in a broad range around $500 billion over ten years." Meanwhile, what we don't know is what the plan is here in the Senate for paying for all of this. It is time for us to ask how the Senate intends to pay for this spending. And more broadly, we must ask how we intend to seriously address the very real fiscal crisis that we face in this country.

It should be apparent that the rate of growth of our national debt and federal deficit is simply unacceptable. In the President's own words, it is "unsustainable." It is time that the words in this bill match the words in the President's speeches.

Since the President spoke about ushering in a so-called era of fiscal responsibility in January, the Democrat-controlled Congress has passed the second half of the $700 billion TARP bailout funds; a $789 billion so-called stimulus bill; a $410 billion omnibus bill. And, now, we are considering a more than $1 trillion health care bill. The American people are rightfully growing fearful of these runaway deficits. And they are equally justified in growing fearful of our rising debt and a list of unsustainable entitlements that threaten our nation's fiscal security for decades to come.

As we consider this bill, it is essential that we examine our nation's deficit and our overall fiscal and economic condition. I am deeply troubled by the direction that this bill is taking us during a perilous fiscal age. The Congressional Budget Office projects that, this year, federal spending will exceed revenues by $1.7 trillion. Our federal deficit will be equal to 12 percent of the nation's annual economic output – which is the largest single-year deficit in the post-World War II era. On the debt side, the story is equally frightening. The federal debt will reach $12 trillion by this fall and the CBO estimates that it will exceed $13 trillion by September of 2010. Merely paying the interest on this year's debt alone is estimated to cost $565 billion, or 4 percent of the nation's yearly economic output. According to the CBO, debt held by the public will reach 100 percent of GDP in 2022. Treasury Secretary Geithner was literally laughed at by an audience in China when he recently asserted that Chinese assets were safe in the United States.

On entitlement spending, the story is also deeply troubling. The nation's largest entitlements – social security, Medicare and Medicaid are responsible for most of projected growth in non-interest spending over the coming decades. Over the next 25 years, Medicare and Medicaid account for 80 percent of that growth. The answer under the current Senate proposals is to increase and accelerate that growth. According to the Medicare Trustees Report, the program's unfunded liability has grown to almost $38 trillion this year, a single-year increase of nearly $2 trillion. And yet, this Congress stands on the precipice of passing a new government-run health plan, an insolvent long-term care provision, and Medicaid expansion that could cost upwards of a-half-a-trillion dollars. This fiscal irresponsibility is unprecedented.

On the national economy, the picture is equally bleak. In the first quarter of 2009 according to the Department of Commerce, GDP shrank at a 5.5 percent annual rate. Last week's job numbers show that unemployment stands at 9.5 percent for June – the highest rate of unemployment in the past quarter century. Since the beginning of this year, the U.S. economy has lost more than 2.64 million jobs. Yesterday, the American Bankers Association reported that late payments on home-equity loans rose to a record high in the first quarter of this year, due in large part to rising unemployment. Meanwhile, a Bloomberg survey of 61 economists projected that this year's economic growth will be the worst since 1946.

On the state and local level, economic indicators are also very disturbing. In California, the State government is running a $26 billion deficit in a $92 billion general fund budget. The State has seen a 20 percent drop in revenue. And, last week, for just the second time since the Great Depression, the California controller began to issue IOU's. Without the issuance of these IOU's, California estimates it would run out of cash by the end of July and begin defaulting. The answer in the Senate bill is to pass along a greater Medicaid burden on State governments.

A recent survey of states from the Rockefeller Institute found that state personal income tax collections fell by 26% or $28.8 billion in January to April of 2009 compared to the same period a year earlier. Additionally, both estimated payments and income tax returns dropped by over 30% in January to April of 2009 while withholding dropped by 6.9%. Thirty-four of the thirty-seven states in the survey saw declines in tax revenues, indicating that it will be increasingly more difficult than expected for states to close their widening budget gaps.

Mr. Chairman, all of the rosy talk of bending the cost curve flies in the face of our nation's fiscal condition and economic indicators. Our nation is in peril and we cannot simply gloss over real numbers that the Congressional Budget Office is delivering to us in no uncertain terms. As we begin debate on the government-run option and the employer mandate this week, I will have more to talk about. However, I thought it was essential that I spend some time laying out in very real terms the crisis that we face in this nation, and the very negative impact that this bill will have on this crisis.

Thank you.

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