



\$6T In New Social Security Debt

THIS QUARTER:

In this quarter, Goodman Institute scholars analyzed the \$3.5 trillion spending plan emerging in Congress, as well as the new Social Security Trustees report. These are one-of-a-kind analyses you won't find anywhere else. We are also developing a new way for candidates to talk about health care.

The Social Security Trustees have released their [annual report](#) on the system's finances and the news is awful. The Trustees tell us that the present value of Social Security's unfunded liability is \$59 trillion. That's almost three times the size of our entire economy!

Even more surprising is the change since last year's report. In just 12 months the size of our unfunded Social Security debt has increased by \$6.8 trillion – an amount equal to 30 percent of our GDP.

While members of Congress have been arguing about the

wisdom of spending \$3.5 trillion on new programs, they have completely ignored the news that the cost of an existing entitlement program has increased by twice that amount, without Congress lifting a finger.

Oops, did we say “news”? Actually, we are not aware of a single news story that has reported these numbers. Instead, virtually every news account has focused on the expected depletion of the trust funds. Social Security retirement gets depleted in [12 years](#). Medicare's hospital insurance (Part A) fund gets depleted in [five](#).

Over many years, Goodman Institute scholars have been about the only people who consistently pay attention to the only Social Security news that really counts.

Better than Biden's Mandate.

Long before the Covid vaccines became available, Goodman Institute scholars urged people to



Laurence J. Kotlikoff

take advantage of self-administered home tests that can give reliable results in only a few minutes.

In a [new editorial](#) Laurence Kotlikoff argues that these tests can serve employer health and safety interests much better than a vaccine mandate. The reason: as is well known, people can get Covid (and even die from it) even if they have had their shots. If employees were asked to show proof they don't have the virus, vaccination status wouldn't matter.

These tests, by the way, are now available in drugstores.

The \$3.5T Spending Mistake

Congressional Democrats are proposing to spend an enormous amount of taxpayer dollars on what the *New York Times* calls a “[cradle to the grave](#)” addition to U.S. social welfare. When budgeting shenanigans are ignored, the [Committee for a Responsible Federal Budget](#) estimates that the full cost is not the \$3.5 trillion that has been widely advertised, but at least \$5.0 trillion and possibly as much as \$5.5 trillion.

In a lengthy analysis of the health care components, John Goodman and Linda Gorman discovered that in every instance the proposal would spend money on existing programs that are deeply flawed. If instead of throwing good money after bad, we focused on rational reform of existing programs, we might find that the “unmet needs” the Democrats have targeted could be adequately met – without spending any additional taxpayer dollars. Here are some illustrations.

New Home Care Benefit.

Under the current system, as many as one-third of hospital discharge patients who are entitled to home care never receive the benefit. Those that do, participate in

a system in which fraud and theft are commonplace. Rather than reform the system, the new program would spend even more money on it, while ignoring cheaper alternatives:

- The monthly cost of the new home health care benefit would be more than the monthly cost of a nursing home in 6 states.
- It would be more than the monthly cost of an assisted living facility in 45 states.
- It would be more than the cost of a home health aide in 49 states.

The proposal completely ignores a highly effective alternative, called Cash and Counseling. Under that program, money goes to the patient, not to the caregivers. Patients can hire and fire their service providers, and the type of person who can be a provider has also expanded. Some states even allow [spouses to be caregivers](#).

Early surveys found that satisfaction with Cash and



Dr. Goodman and Heritage Foundation vice president for domestic policy Marie Fishpaw have been working to change the way conservatives talk about health care.

Counseling hovers in the 90 percentiles – a satisfaction rate probably unequaled in any health care system in the world today.

Dental, Hearing and Eye Care under Medicare.

Under one proposal, this benefit would cost \$1,500 a year per beneficiary. However, seniors who enroll in a Medicare Advantage (MA) plan already save about \$1,500 in reduced premiums and most MA plans offer some coverage for all three areas of care. (See the Joe Namath TV commercials.) Forty percent of seniors are already in Medicare Advantage and that number continues to grow.



Medicaid Expansion.

This provision of the Biden proposal would focus on states that haven't expanded Medicaid to adults who earn under 138 percent of the federal poverty level. The proposal would likely create a Medicaid-like program to enroll the target population and would pay Medicaid rates to providers.

Yet none of the problems with the current system would be corrected. One in ten Medicaid dollars is lost to fraud and an estimated one in four dollars is spent on people who are not eligible for the benefit. Almost a third of doctors won't take new Medicaid patients and enrollment is highly unstable. In 2015, the average adult stayed enrolled in Medicaid for only 9.5 months and the average child stayed enrolled for only 10 months.

Chronic patients in particular need a continuing relationship with providers. That usually means having a continuing relationship with a health plan.

The most rigorous experiment ever conducted (in Oregon) found that Medicaid (compared with being uninsured) has no impact on the physical health of enrollees, and enrollees themselves value the

coverage as little as 20 cents on the dollar. For that reason, Amy Finkelstein (one of the authors of the study) says we should give low-income families cash instead of health insurance.

Finkelstein says 80 percent of care provided to the insured is already "free," and cash has positive effects on health and life expectancy.

Obamacare Expansion.

A two-year provision enacted in March means that more low-income buyers are now paying little to nothing for insurance and the maximum contribution has been reduced from 10% of income to 8.5%, even for people who are above 400% of the poverty line. The new proposal would make those changes permanent.

This change, however, would not lower the outrageously high deductibles in Obamacare plans or expand the narrow provider networks that deny many patients access to the best doctors and the best medical centers.

Most of the new money is going to people who appear not to need it. For example, a 60-year-old couple with two kids, making \$212,000, is receiving a benefit of \$11,209. In contrast, a family of four

making \$39,750, regardless of the age of the couple, is receiving a benefit of just \$1,646.

A New Medicare Drug Benefit.

Medicare has always paid for small expenses that almost any elderly enrollee could afford, while leaving seniors exposed for very large bills that could literally bankrupt them.

For example, after a deductible of \$445, Medicare Part D insurance pays 75 cents of the next dollar of cost. And it pays 75 cents of the dollar after that. It keeps on doing this until the patient's out-of-pocket expenses reach a limit of \$6,550. Above that amount, in the "catastrophic phase," the patient is responsible for 5 percent of any additional costs.

A study of 28 expensive specialty drugs found that the out-of-pocket spending by Medicare patients ranged from \$2,622 to \$16,551. And those are *annual* costs!

Some congressional Democrats would like to spend taxpayer dollars to limit the out-of-pocket drug cost exposure, although no new money would be needed if Medicare underwent sensible reform.

How to Talk about Health Care

In addition to the extraordinarily high out-of-pocket costs and narrow provider networks that are denying patients the best care, Obamacare has been wasting an enormous amount of money.

If we compare the number of people who had individual insurance before the enactment of the Affordable Care Act with its number today, enrollment has increased by only 2 million. Health economist Brian Blase says that works out to a cost of \$25,000 for every newly insured person.

Since these two million people, on net, were shifted from employer coverage to the individual market rather than newly acquiring private coverage, the federal government is sending about \$49 billion in net subsidies to private health insurance plans with *no net gain in coverage*.

Given that record, it is puzzling to discover that voters trust Democrats more than Republicans on health care. Even more surprising, last year the Republican Party encouraged all its candidates for the House of Representatives to avoid the topic altogether!

To resolve this conundrum, John Goodman huddled with Heritage Foundation vice president for domestic policy Marie Fishpaw, Newt Gingrich, Rep. Chip Roy and others to focus on how the two parties talk about health care.

Writing in the *Washington Examiner*, Goodman says there are five rules for successful communication with voters about health care. These are rules Democrats tend to follow and Republicans tend to violate.

They are:

Rule 1: Talk about benefits, not about how benefits are created.

Rule 2: Talk about people, not about complicated rules.

Rule 3: Focus on people who vote.

Rule 4: Advocate changes that are easy to understand and obviously different from an opponent's position.

Rule 5: Don't bow to special interest pressures.



North Dakota Gov. Kristi Noem discusses health policy with Dr. Goodman.

Outreach.

Goodman, Fishpaw, Roy, Gingrich, organization health expert Joe DeSantis and Kansas state senator Beverly Gossage presented these ideas at the Heritage Resource Bank meeting in Austin in June. Goodman and Fishpaw presented them at a Freedom Fest conference in Rapid City, South Dakota, in July. Goodman and DeSantis presented them to a conference of the State Policy Network in Orlando in August. Goodman and Galen Institute president Grace-Marie Turner presented them to a congressional staff briefing in September.

