



Insight

# President Obama's Disappointing Health Care Budget

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A “national moment of truth.” That’s how President Obama’s [fiscal reform commission](#) characterized the state of the nation’s finances over one year ago. Last year, the President kicked the commission’s [bipartisan proposals](#) into the gutter, put out a budget drenched in red ink, and was greeted with such outrage that he quickly gave speech that many dubbed a budget “do-over.”

So much for a teachable moment.

President Obama’s [fiscal year 2013 budget proposal](#) came out this month, and again underwhelmed. Obama has consistently given lip service to the need for economic growth, sustainable federal finances, and smart, more efficient, government spending. Yet again, however, his budget fails to reflect these noble sentiments. He pegs the 2012 deficit at \$1.3 trillion; projects the 2013 red ink at \$901 billion; and commits to a sea of federal debt in the next decade that follows makes a mockery of this new talking point about “living within our means.”

Last year, Obama’s failure to lead on fiscal issues resulted in the debt ceiling political wrangle, a downgrade from Standard and Poor’s, and the [Super Committee fiasco](#). His current budget proposal doubles down on the vacuum of leadership on tax reform, social security reform, and – especially – reform of federal health programs.

A key component of any strategy for better growth and fiscal sustainability is reforming Medicaid and Medicare to be secure for the next generations. Medicare and Medicaid together make up [23 percent of federal spending](#), a number that is only going up. So, why is President Obama largely staying with the status quo in this year’s budget proposal? Medicare is fundamentally broken, as is reflected by the \$280 billion gap between outlays and receipts of payroll taxes and premiums. It is not possible to simply trim away at the edges. Real savings can only come from real reform.

The Medicare reforms included in President Obama’s budget are too minor and often misguided. Take, for example, home health expenses. It is widely recognized that home health genuinely suffers from bad-apple providers and other issues of program integrity that have nothing to do with beneficiaries. How does the Administration plan to deal with this? A beneficiary co-pay that will likely have the unintended consequence of driving seniors away from home health and into more expensive care settings – and do nothing to trim out the fat.

Obama also does even more to empower the [Independent Payment Advisory Board](#), a controversial body created in the Affordable Care Act that will inevitably act as a brake on American medical innovation. In its efforts to contain Medicare costs, the IPAB will be [forced to slash provider reimbursements](#), with the juiciest targets being the newest, most innovative and most expensive therapies.

The President’s budget also re-peddles the notion of introducing Medicaid-style rebates into the Medicare Part D program. It is widely recognized that [Part D is the best of the federal entitlements](#), while Medicaid [serves its beneficiaries poorly](#)

. The Obama policy gets it exactly backwards. [Our research](#) suggests it would raise seniors' drug premiums, reduce employment or harm new drug development.

The President takes a pass on solving the Sustainable Growth Rate's [impending cuts for physician payments](#), asserting that the cuts will be averted, but providing no solutions for how to reach that end.

The President's Medicaid reforms include lowering the threshold for providers subject to Medicaid taxes, and paying states a single blended matching rate for Medicaid and its cousin, the State Children's Health Insurance Program.

In each and every case, President Obama does not pursue deep reforms, relies on minor budgetary Band-Aids, and gets the policy wrong.

It is time for real reform to control health care costs. It is time for real entitlement reform. President Obama provides neither; instead, he commits the country to live beyond its means for another decade.

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