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THE ECONOMIC AND BUDGET IMPACT OF THE CLINTON HEALTH PLAN

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INTRODUCTION

The Clinton Administration's plan to create a government-run health care system has serious implications for the quality and availability of health care in America.[1] But of equal concern should be the plan's likely effects on the performance of the economy and its impact on fiscal policy. Health care today accounts for one-seventh of the nation's economy.

While the Administration has avoided much public discussion of the economic and budget impacts of its plan, these are likely to be severe.

Of greatest concern:

- ✓ Although the White House is attempting to mislead citizens about the true cost of the plan by counting it as "off-budget," the Administration's proposal will in reality impose the largest tax increase in American history, exceeding all tax increases in the last thirteen years combined.
- ✓ Notwithstanding the huge tax increase, confidential internal Administration documents reveal that the plan could boost deficits by as much as $810 billion between 1996 and 2000.
- ✓ The Administration claims that enactment of the plan may result in additional job creation. Moreover, the White House asserts that enactment of its proposal will generate tens of billions of dollars in additional tax revenue because of higher incomes. But independent economists predict widespread job and income losses. According to these economists, the plan will destroy between 1 million and 3 million jobs and lead to lower wages for millions of additional workers.

1 See Robert E. Moffit, "A Guide to the Clinton Health Plan," Heritage Foundation *Talking Points*, November 19, 1993.

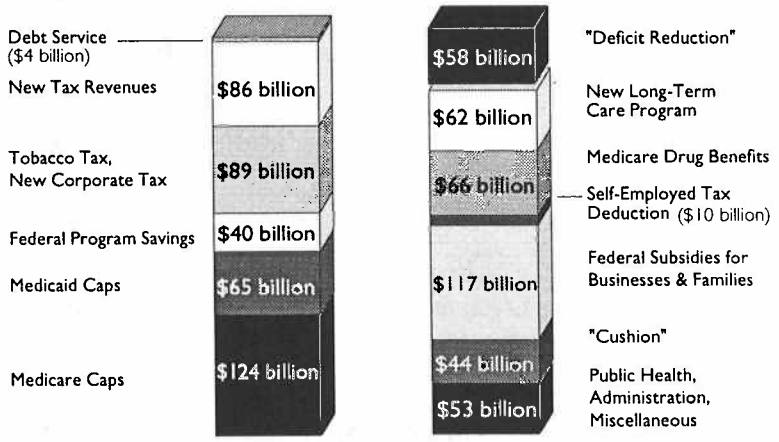
✓ The Clinton plan sets the stage for another taxpayer bailout, similar to the savings and loan deposit insurance fiasco, by creating a "guaranty fund" to serve as a payer of last resort if the new health system runs into difficulties.

The Clinton plan organizes citizens into regionally based health collectives. These collectives, known as alliances, would receive a payroll tax of as much as 7.9 percent from employers in the affected region and then distribute those funds, along with taxes collected directly from employees and the self-employed, and subsidies from the federal government, to health insurance plans chosen by individuals from among a selection chosen by the alliance.[2]

According to the Administration, the plan will cost the government "only" $351 billion between 1995 and 2000.[3] And, as the adjacent chart indicates, the Administration claims that enactment of the proposal will reduce the budget deficits by $58 billion over the 1995-2000 time period.[4]

The problem with such projections is that even small errors and flawed assumptions can lead to huge shortfalls in revenues or expenditures well above estimates. And there is every reason to suppose this will be the case with the Clinton plan. For one thing, almost every number the Administration has published regarding health care is based on very questionable assumptions. For

Official White House Estimates for Financing the Clinton Health Care Plan: $409 Billion for 1995-2000



Note: Totals may not add due to rounding.
Source: Office of Management and Budget.

Author's Note: The Administration actually is proposing to spend $305 billion on taxpayer subsidies for businesses and low-income individuals, an increase of $188 billion over the widely publicized $117 billion figure. Moreover, the White House's proposed reduction in estimated Medicaid spending is actually $225 billion and the proposed cut in estimated Medicare spending is actually $152 billion. The Adminstration misleadingly reduces all three numbers by using the additional Medicare and Medicaid cuts to "offset" the $188 billion in additional subsidies.

2 Since states have the option of setting up single-payer systems, there is a strong possibility that in some states consumers will face no choice. Moreover, even in states where "choice" will exist, the options will tend to be limited to large Health Maintenance Organizations (HMOs), with only one—if any—fee-for-service plan available.

3 "The Health Security Act: A Financial and Distributional Analysis," Memorandum for Members of Congress, The White House, December 16, 1993.

4 According to the White House's calculations, the biggest expense, $117 billion, will be subsidies, referred to as "premium discounts," for businesses and individuals. New entitlements for the elderly, long-term care, and a Medicare prescription drug benefit are projected to cost $62 billion and $66 billion, respectively. On the financing side of the ledger, the Administration claims the new spending (and $10 billion of tax deductions) will be financed by a mixture of tax increases and spending cuts. The plan assumes $124 billion of savings from Medicare, the government's health program for the elderly, and $65 billion of savings from Medicaid, the government's health program for the poor. The White House assumes another $40 billion in savings from other federal programs. The Clinton plan also includes $86 billion from taxes on corporations and tobacco, as well as an assumption that $71 billion of new revenue will be forthcoming because of higher incomes and other revenue effects.

another, the federal government is notorious for underestimating the cost of new entitlement programs. The health plan is unlikely to be an exception.

WHY THE ADMINISTRATION'S "HEALTH PREMIUM" IS A TAX

The White House claims that the money employers will be forced to pay for health care is not a tax because the funds go directly to health alliances rather than to the federal Treasury. Instead, the Administration argues, the money should be viewed more properly as insurance payments mandated by government, just as drivers in many states are required to obtain insurance as a condition of operating an automobile.

If this analysis were legitimate, however, the government could just as easily classify much of the income tax as a "premium" to fund the defense budget (which, after all, insures Americans against foreign aggression), Social Security taxes as "premiums" to provide retirement benefits, and gas taxes as "premiums" to insure safe roads. While the White House's argument is superficially plausible, it serves only to draw attention from the substantive reasons why the so-called health premium is a tax.

The most important reason is that the "premiums" do not represent a voluntary exchange between a buyer and seller. Individuals and companies will be forced, under threat of fine and imprisonment by the federal government, to send money to the alliances.[5] A family does not have to buy automobile insurance if it chooses not to buy a car. But Americans will be required to buy a comprehensive insurance package of benefits determined by a government board. The federal government also will dictate exactly how much money businesses will be forced to pay. And since the business tax is set either as a percentage of payroll costs or at 80 percent of the average cost of plans offered through the alliance, whichever is the lower, it is a fixed dollar amount irrespective of which plan actually is chosen by an employee. The Social Security tax, by contrast, is more like a premium because it is linked to future benefits.

The fact that the funds would go to alliances rather than to the federal Treasury is irrelevant. The alliances would be creatures of the federal government, with all their essential features dictated by federal law. Nor is it meaningful that the states are charged with overseeing the alliances, since all of the significant powers are vested in the federal government.[6] Neither the alliances nor the states are to be given the power to alter benefits or exercise any significant powers independent of the federal government.

There already are examples of federal programs operating like the proposed health plan. The Federal Unemployment Trust Fund, for instance, is included in the federal budget even though the states raise the money and disburse the money to the unemployed. The reason it is included in the federal budget is that the federal government dictates the major features of the program. Indeed, as a recent analysis from the House tax-writing committee states, "Because provisions of the Federal law [unemployment compensation program] are so coercive, Federal budget concepts treat the states as acting as agents of the Federal government rather than acting in an independent capacity. Thus, the 'state' taxes are Federal revenue, and the 'state' spending is Federal budget outlays."[7]

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5 For an excellent summary of the fines and prison sentences included in the Clinton health care plan, see Grace-Marie Arnett, "Cops and Doctors," *The Washington Post*, December 19, 1993.

6 The seven-member National Health Board would be the arm of the federal government with the real power. For further information on the powers of the Board, see Moffit, *op. cit.*

There is actually a better argument for putting the unemployment program "off-budget" than there is for doing so with health care. In the case of the unemployment program, states do have authority to determine benefit levels and have the independent power to decide the amount of wages subject to the tax. Under the Administration's health plan, by contrast, benefits and taxes are dictated by the National Health Board.

The Administration's argument that the premiums are not taxes because the money never enters the Treasury is easily refuted by examining the budgetary treatment of such programs as the United Mine Workers Benefits Fund. This fund is counted as part of the budget even though the money does not go through the Treasury Department and the premiums are managed by a board and staffed with personnel who are not defined as federal employees. Why are the premiums counted in the budget? Because the central features of the program—premium levels and benefits—are dictated by the federal government, just like the Clinton health care proposal.

Indeed, the career staff at the White House's own Office of Management and Budget generally reject the claims made by the political appointees. According to a report in the *White House Bulletin*:

> This view was expressed in a September memorandum from the senior career budget official at OMB, Barry Anderson, to OMB Director Leon Panetta and Deputy Director Alice Rivlin. According to the argument presented by Anderson, the scoring of the Clinton health care proposal, including the proper classification of the health care alliances, should be considered "on budget." Much, if not all, of the career staff at OMB also believes that the proposed alliances should be considered as government entities.[8]

The White House's argument that the health care program is analogous to existing insurance mandates, such as the requirement to purchase auto insurance as a condition of owning a motor vehicle, is similarly spurious. There is no requirement to buy a car, and hence insurance—unlike the health insurance requirement. Moreover, outside of setting minimum requirements, state governments do not limit the type of insurance policies that are available to drivers. The Administration health plan, by contrast, specifies the range of benefits all Americans must obtain, and from whom the insurance must be purchased.

Most important, there generally is no effort to promote income redistribution or cross-subsidize certain demographic groups in the case of auto insurance. Auto insurance premiums are determined by market forces, with individuals buying policies that offer them the best value. Rich people are not forced to pay higher premiums to subsidize the premiums of those less fortunate. For the most part, there are no government mandates that force good drivers to subsidize the premiums of bad drivers.[9]

The Administration's efforts to hide its health care payroll tax from the American people have even gone as far as calling for the creation of a new Internal Revenue Service-type divi-

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7 House Committee on Ways and Means background paper, "The Clinton Health Plan: Implications for the Budget," October 28, 1993.

8 *White House Bulletin* (Alexandria, VA), December 8, 1993.

9 Some states actually do impose policies that result in cross-subsidization of insurance costs. While not as intrusive as the Clinton health care plan, since citizens are able to freely contract with any insurer for a policy that satisfies their specific needs, it would be appropriate to view the portion of the premium caused by these policies as a tax.

sion in the Department of Labor to collect the tax. As the Chairman of the House Ways and Means Health Subcommittee, "Pete" Stark (D-CA), has remarked, "An existing federal agency —namely the IRS— could perform the collections and disbursement functions of the regional alliances with less duplication and lower administrative costs."[10]

WHY A NEW HEALTH CARE ENTITLEMENT WILL BE A BUDGET BUSTER

Perhaps the most breathtaking claim made by the Administration is that enacting a massive new entitlement program will result in deficit reduction. According to the Administration's numbers, adoption of the Clinton package will result in $58 billion of deficit reduction over the 1995-2000 time period (slightly more than $8 billion per year, on average). Few, if any, knowledgeable analysts take this claim seriously.[11]

History suggests strongly that entitlement spending, particularly for health care programs, increases much faster than originally projected. When Medicare was created in the mid-1960s, for instance, actuaries projected the program's budget would reach $9 billion-$12 billion by 1990; the actual 1990 cost was $107 billion. Similarly, the Medicaid program was originally estimated to cost only about $1 billion annually. Last year's outlays, however, exceeded $76 billion.[12] More recently, cost estimates for the Catastrophic Care Coverage Act of 1988 (repealed in 1989 after senior citizens complained about the program's high price tag) exploded before the program was even implemented.

There is a simple reason why costs have risen much faster than projected for these programs, and why they will explode if the Clinton plan is approved. It is that people are less concerned about costs when they are spending other people's money. In more precise terms, when there is little or no connection between the cost of a particular medical service and the amount that the consumer pays, the consumer has little or no incentive to monitor costs.[13] Referred to as the third-party payment problem, this phenomenon is widely recognized as a major culprit behind rising health care costs. Employers today do have the incentive to find ways of discouraging excessive use of medical costs by their employees, because overutilization leads to higher costs for employers. But under the new Clinton health care entitlement, the costs borne by employers will be based on the average cost of alliance plans, or a fixed percentage of payroll, and not on the degree to which their employees use medical care. Thus a crucial incentive for employers to hold down costs will be removed.

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10 "Stark Calls for IRS to Take Charge of All Health Care Financing Functions," *BNA Daily Report for Executives*, November 19, 1993.

11 Indeed, Senate Finance Committee Chairman Daniel Patrick Moynihan called the Administration's financing claims a "fantasy."In addition, a recent analysis by Lewin-VHI, one of the nation's leading health care accounting and econometrics firms, indicates that even if the health plan went into effect exactly as planned, the amount of deficit reduction would be about half the amount the White House claims.

12 "Health Care Costs a Long-Term Headache," by Clay Chandler, *The Washington Post*, October 17, 1993.

13 The same critique, of course, applies to many insurance policies. Once individuals exhaust their deductible, they normally will be responsible for no more than 20 percent of medical bills. In many policies, the insurer then picks up 100 percent of the costs after a certain dollar threshold is reached. But in most insurance policies, such as automobile insurance, policyholders who make excessive claims face higher premiums, discouraging overuse. But in the Clinton health plan, individuals making excessive use of medical insurance will not face higher future premiums.

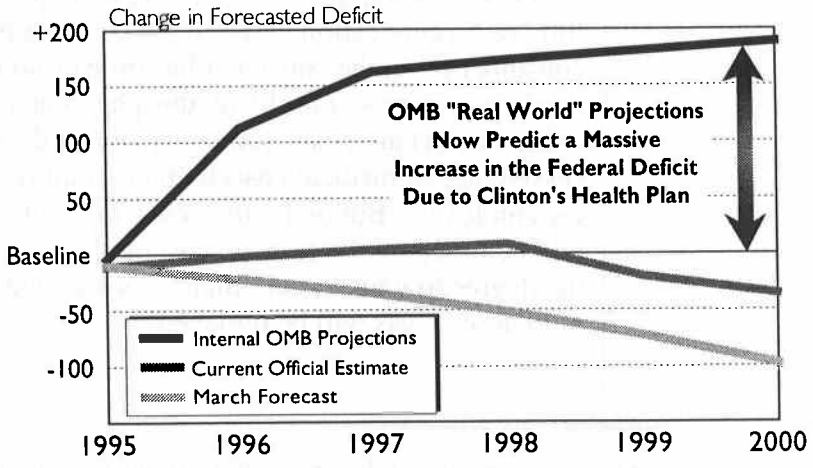
Costs also will explode because medical groups will lobby to have their procedures, tests, and treatments included in the standard benefit package. Hearings already have occurred on Capitol Hill for the purpose of allowing dozens of organizations to testify why their concerns should be included.[14] And as other health care entitlements have shown, politicians are not very good at saying no—or at estimating costs when they say yes.

Another major problem with the financing estimates in Clinton's health care plan, which will mean higher total costs, is the low cost estimate for providing the standard benefit package.[15] The White House claims that the package initially can be provided for as little as $1,932 for a single adult and $4,360 for a family. Private firms with expertise in pricing benefit packages, however, believe the cost will be much higher. Two of the most credible studies peg the initial cost of family coverage, for instance, at $5,900 and $6,662 respectively.[16] The Administration's intermediate-range projections are similarly questionable. A study conducted by the health consulting firm Lewin-VHI found that the cost of the standard benefit package in 1998 would be about 17 percent higher than the White House claims. These figures, of course, no doubt would rise as politicians expanded the scope of practices and procedures covered.

Notwithstanding these troubling factors, the Administration still maintains that increasing the size and scope of the welfare state will reduce the deficit. Earlier this year, the Administration claimed health care reform was the key to balancing the budget, and time after time the White House portrays health care reform as the key to controlling federal spending. White House projections earlier this year assumed $290 billion in savings between 1995 and 2000.[17]

Those earlier projections of deficit "savings" already have been radically scaled back, down to $58 billion, and doubtless will be reduced further. And even this figure presumes, among other things, that the Administration will succeed in bringing the growth of health care costs sharply

Clinton's Health Security Act Now Predicted to Add Nearly $200 Billion per Year to Deficit by the Year 2000



Source: The Office of Management and Budget, unreleased documents.

14 J. Jennings Moss, "Groups Lobby House Panel for Health Plan Coverage," *The Washington Times*, November 16, 1993.

15 For a detailed breakdown of what is included in the standard benefit package, see Moffit, *op. cit.*

16 "The Clinton Health Plan vs. American Jobs: Claims vs. Realities," Employment Policies Institute, Washington, D.C.; Hewitt Associates, Testimony before House Energy and Commerce Committee, November 22, 1993.

17 These estimates were not accompanied by any proposal and may have represented nothing more than an attempt to counter arguments that the Administration's proposed budget plan should be rejected. Critics had pointed out that the Office of Management and Budget's own numbers showed that adoption of Clinton's tax hike led, within eight years, to larger rather than smaller budget deficits.

down to the level of general inflation. That would be a remarkable achievement, unmatched by any government without sweeping price controls and severe health care rationing—steps that few believe will be taken in the United States.

But if politicians refuse to take the unpopular step of rationing care, health care costs would continue to rise rapidly, and probably accelerate under the Clinton plan, given the cost-increasing pressures in the entitlement program. This means, of course, that the projected costs of subsidizing "premiums" for small businesses and the less fortunate would be much higher than projected, meaning either large increases in spending and deficits or a cutback in benefits.

OMB'S DISTURBING SECRET PROJECTIONS

Confidential Administration budget documents reveal a bleak picture, in sharp contrast to the Administration's rosy official scenario. The Program Associate Director for Health at the Office of Management and Budget (OMB) has assembled "risk tables" designed to measure the budgetary impact of the health care plan once behavioral and policy "uncertainties" are included.[18] The OMB ran six simulations. The figures used in this analysis represent the average of the middle two deficit figures. In other words, the two simulations showing the largest deficit increases and the two simulations showing the smallest deficit increase were excluded to avoid the appearance of selecting simulations that present the Clinton plan in the most unflattering light.

The risk tables include an estimate of new cigarette tax revenue based on the real-world expectation that cigarette smoking will decline in response to a more than 300 percent increase in tobacco taxes. If actual cigarette tax revenues are 50 percent less than the Administration's original static model projects, the deficit would increase by $39 billion between 1995-2000. More ominously, a 75 percent increase in subsidies would add $277 billion to the deficit over the same five-year period. The adjacent table shows OMB's projections for eleven different real-world assumptions.

Thus, while the Administration claims that its health plan will reduce the budget deficit by $58 billion over seven years, the Administration's own internal documents incorporating more realistic assumptions indicate the deficit could balloon by

OMB's Confidential Estimates

Behavioral Uncertainties	Deficit Impact, 1996-2000
75% Higher Subsidy Estimates	+$277 billion
100% More for Drugs & Long-Term Care	+$171 billion
67% Less for Medicare and Medicaid Offsets	+$122 billion
50% Less Cigarette Tax Revenue	+ $39 billion
Tripled Start-Up and Administrative Costs	+ $34 billion
Subtotal: Behavioral Uncertainties	**+$643 billion**
Policy Uncertainties	**Deficit Impact, 1996-2000**
50% Less Global Budget Savings	+ $86.5 billion
No State Maintenance of Effort	+ $71.5 billion
No Medicaid Disproportionate Share Savings	+ $35 billion
No Long-Term Care Premium	+ $18 billion
Medicaid Hold Harmless	+ $18 billion
No Drug Rebate	+ $22 billion
Subtotal: Policy Uncertainties	**+$251 billion**
TOTAL POTENTIAL DEFICIT INCREASE:	**+$894 BILLION**

Source: Office of Management and Budget
Note: Reductions in "Base Case" deficits reduce potential deficit increase to $810 billion.

18 The OMB simulation referred to those uncertainties as "worst case scenarios." Everything known about the fiscal consequences of entitlement programs, however, indicates that actual results will be worse than "worst case."

a staggering $810 billion over a five-year period —including nearly $200 billion in the year 2000 alone, as is shown by the chart on page 6. This is added to a deficit that already is expected to climb to $251 billion by the turn of the century.

While it is doubtful that all eleven potential deficit shortfalls identified by OMB will come to pass, this is no guarantee that the deficit still will not climb as much as these projections show. Most notably, even the OMB internal analysis neglects to consider the fact that higher taxes ("premiums") will tend to reduce future wages.[19] According to Harvard Professor Martin Feldstein, who is President of the National Bureau of Economic Research, the Clinton plan will mean a 6.4 percent reduction in average take-home pay by 1997, or a net loss of $115 billion in wages. Because wages will fall, writes Feldstein, there will be a loss of $49 billion in tax revenue in that year alone.[20]

Thus, while it is possible that the deficit will not climb by as much as shown in the Administration's own analysis of eleven potential problem areas, it is also likely that the deficit will climb for reasons that the Administration did not analyze. Because the proposed Clinton plan involves such a dramatic expansion of government control, any budgetary projections involve a lot of guesswork and assumptions. Nonetheless, history, experience, independent analysts, and Administration internal documents all lead to one conclusion: the White House health care plan will mean much higher deficits.

THE ECONOMIC IMPACT: FEWER JOBS AND LOWER WAGES

The large increases in taxes, spending, and deficits that will occur if the Clinton plan is adopted will have a damaging effect on America's economy. Increased public spending and higher deficits will hurt growth by consuming resources that could be used more productively by the private sector. But it is the higher payroll levies and other taxes in the plan that will have the greatest impact.

Preliminary estimates from the House Ways and Means Committee indicate that the added tax burden from the Clinton plan could reach a total of $900 billion by the year 2000.[21] To put this amount in context, it is more than three times the size of the 1993 tax bill, which is projected to raise $262 billion over five years and constitutes the largest tax increase in world history.

The most direct impact of the health care tax will be on wages and job creation. When business owners and managers calculate whether they can afford to hire new workers or whether they can increase wages for existing workers, they must consider the total cost of such decisions. That means the complete compensation package and all taxes and mandates associated with each employee. This figure includes not only Social Security taxes, Medicare taxes, Unemployment Compensation taxes, workman's compensation, and income taxes, but also the expected additional cost of complying with minimum wage laws, civil rights laws, labor laws, environmental regulations, and parental leave laws.

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19 Indeed, the Administration actually claims that imposition of the new tax will increase taxable wages.

20 Martin Feldstein, "The Impact of Health Care Reform on the Budget Deficit," Address at the September 23, 1993, American Enterprise Institute conference, "Prescription for the Nation's Health: Where Will the Numbers Lead Us?"

21 Rep. William Archer, Dear Colleague letter accompanying the House Ways and Means Committee background paper, "The Clinton Health Plan: Implications for the Budget," October 28, 1993.

A new mandate, requiring firms to "contribute" most of the cost of an expensive health care package, will have to be included in the employer's hiring calculation if the Clinton plan is enacted. Since most larger firms already provide health insurance, and since the plan includes large taxpayer-financed subsidies to certain firms, the net employment and wage effects are not easily calculated. The most harmful effects doubtlessly will accrue to workers who currently do not have employer-provided health insurance, since a mandate will not be offset by reductions in private insurance payments. For workers covered by employer-provided health insurance, the degree of jobs losses and wage reductions would depend on the degree to which the payroll tax used to partially fund the government-mandated standard benefits package exceeded the cost of providing private insurance. Generally, in firms which do not currently provide health insurance, a new mandate would tend to be paid for by depressing future wage growth or cutting wages. But in low-paying industries, with a large proportion of minimum wage jobs, there will be heavy layoffs.

As with calculations of budgetary impact, job loss projections and income loss estimates are difficult to measure precisely. Nonetheless, the evidence indicates the cost will be high. Consider:

- ✓ The Administration itself admitted that the plan could destroy 600,000 jobs in the early years alone.[22]
- ✓ One-third of small businesses would reduce the number of full-time employees if they faced a health care mandate, according to a recent seven-city survey of 2,400 small businesses.[23]
- ✓ An 1992 report prepared for the Joint Economic Committee found that a 7 percent payroll tax would cost 710,000 jobs in the first year.[24]
- ✓ Four out of five economists in a 1,000-member survey of the American Economics Association predicted a decline in low-wage employment in response to a mandate.[25]
- ✓ Eighty-five percent of mandated benefits costs would be paid by workers in the form of lower wages according to a 1991 National Bureau of Economic Research study.[26]
- ✓ A recent study for the Employment Policies Institute projects that job losses could exceed 3 million.[27] Losses will be especially severe in the restaurant industry (828,000

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22 The estimate was made by Laura Tyson, Chairman of the Council of Economic Advisers. Rick Wartzman and Hilary Stout, "Some Job Loss is Possible in Health Plan," *The Wall Street Journal*, October 7, 1993.

23 Stephen Findlay, "Health Care Reform: A Blow to Jobs and Wages?" *Business and Health*, July 1993.

24 "Run from Coverage: Job Destruction from a Play or Pay Health Care Mandate," Joint Economic Committee *Health Care Briefing Paper* No. 5, April, 1992.

25 R. Kelly Myers, *Health Insurance Benefits and Income for Poor Families: Report on National Survey of Leading Economists*, University of New Hampshire Survey Center, June 23, 1993.

26 Jonathan Gruber and Alan Krueger, "The Incidence of Mandated Employer Provided Insurance: Lessons from Worker's Compensation Insurance," in David Bradford, ed., *Tax Policy and the Economy*, Vol. 5 (Cambridge: National Bureau of Economic Research and the MIT Press, 1991).

27 June O'Neill and David O'Neill, *The Impact of a Health Insurance Mandate on Labor Costs and Employment: Empirical Evidence* (Washington, D.C.: Employment Policies Institute, September 1993).

jobs destroyed), retail trade (726,000 jobs destroyed), and agriculture (194,000 jobs destroyed).

✓ In addition to potential job losses of over 1 million, a CONSAD research study estimates that health care mandates could lead to reduced wages and benefits for 7.5 million to 18 million other workers.[28]

THE NEXT TAXPAYER BAILOUT

As the internal OMB projections discussed earlier indicate, the Clinton health care proposal will likely mean huge budget deficits for the federal government. Unfortunately, this is only part of the story. Included in the proposal is a provision setting up "guaranty funds" designed to bail out failing alliances.[29] If the Administration's proposal is financially unsound, and if—as seems likely—Congress is reluctant to withdraw benefits or ration care to keep alliance budgets within projections, the alliances will soon find themselves in serious financial trouble.

At this stage, the guaranty funds are responsible for bailing out the alliances. As the S&L deposit insurance scandal illustrates, however, this is not a cost-free exercise. Such a bailout will either require new taxes or higher deficits. Supporters of the plan maintain that the provision is an inconsequential safeguard since the plan is so well crafted. But as the OMB budget numbers show, this is a naive belief.

CONCLUSION

The Clinton health care plan restructures one-seventh of the U.S. economy, and one of its most complex and least predictable sectors. It does so in part by creating a vast new middle-class entitlement program paid for with a new payroll tax on business and other new taxes. America has plenty of experience with such entitlement and mandate policies. The entitlement costs are always seriously underestimated and impossible to control. And the mandates slow job creation, wage growth, and tax payments. The result: surging program deficits.

With budget deficits projected to explode by as much as $200 billion annually and job losses as high as 3 million, the Clinton health care plan could mean economic disaster. But the architects of the plan claim that they have figured out how to avoid all the entitlement time bombs encountered by previous Administrations. Hillary Clinton tells anxious Americans at town hall meetings not to worry—everything has been taken care of. But lawmakers returning to Washington to consider the plan, and their constituents back home, have plenty to worry about if they actually look at the numbers and the flimsy assumptions upon which they are based.

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28 "The Employment Impact of Proposed Health Care Reform on Small Business," CONSAD Research Corporation, The NFIB Foundation, May 1993.

29 Recall that alliances are the structures which federal law mandates the states to organize for the purpose of approving and overseeing the limited number of health plans from which consumers will be allowed to choose. (Even this is an overstatement since states will have the option of setting up single-payer systems.)