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## Let's Call the Whole Thing Off

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Seniors don't understand the options. The government instructions contain mistakes. Taxpayers suspect they're going to get soaked. So why not junk the new Medicare prescription drug program before it kicks in on Jan. 1? Throw it out kit and caboodle, go back to the drawing board, and start all over.

In the White House, this idea is considered heresy. Even the most conservative voices on Capitol Hill are only suggesting a delay in the program's introduction. But gradually something is beginning to dawn on a lot of Washington insiders, something they didn't understand when the program was enacted two years ago. We are about to launch an enormously expensive entitlement program and no one has any idea how we are going to pay for it.

It's easy to understand the reluctance to let go. The Medicare prescription drug benefit was to be the centerpiece of President Bush's compassionate conservatism. Like his approach to education, the idea is that conservatives should be willing to spend a few extra taxpayer dollars in return for major institutional

reforms. Never mind that what we actually got was a huge increase in spending in return for very little reform. Repealing the drug benefit would be tantamount to repealing the president's whole approach to governing.

Then there are all the expenses private companies have already borne, just getting ready for the program. There is all the political capital House leaders spent when they held the voting open into the wee hours while browbeating colleagues into submission. Last but not least there are the senior citizens who are counting on the benefit. Granted, the take-up rate by low-income seniors has been surprisingly low. But who knows how many middle-income seniors are planning to take advantage of the program next year?

Still, all the above costs are sunk costs. And they pale in comparison to costs we will incur if we let the program go forward.

For those who don't spend every waking hour thinking about Medicare, it may be helpful to review the bidding. Unlike the health insurance most non-seniors have,

Medicare has gaps that expose the elderly to thousands of dollars in potential out-of-pocket expenses. One of those is the failure to cover most prescription drugs. When Congress met to deal with this problem, two-thirds of seniors had some form of insurance for drugs. Some had insurance from an employer; some had purchased it outright (medigap insurance); and some qualified for coverage under state-run Medicaid programs.

So the problem facing lawmakers was: How do you solve the drug-coverage problem of the few who need help without encouraging everyone else to drop the coverage they already have in order to get a freebie. The solution isn't easy, but Congress gave it short shrift and opted instead for an easier (but expensive) way out. The new bill encourages almost all those who have private coverage to drop it and let the government pay instead. Bravo!

There was a major controversy over the original estimate of this program's 10-year cost. In fact, the program is being phased in for the express purpose of making the first 10 years' costs deceptively low.

What's scary are the long-term numbers. Unlike Social Security and traditional Medicare, there are no dedicated tax revenues for this benefit, so every dollar of spending (net of premiums) is unfunded. And the sum total of these unfunded liabilities for the next 75 years is more than

twice the size of the unfunded liability of Social Security!

In return, society is going to get a meager improvement over where we were at square one.

According to economist Andrew Rettenmaier, only \$1 in every \$16 of the new drug benefit will actually buy a drug

that would otherwise not have been purchased. The other \$15 will simply replace spending that is already taking place. If this isn't irrational waste, I don't know what is.

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