

HSI Network LLC Response to U.S. House of Representatives Democrat Ways & Means Committee Press Release on 6.24.2009.

FACT VS. FICTION ON THE HOUSE REPUBLICANS' "INDEPENDENT ANALYSIS" OF THE TRI-COMMITTEE DISCUSSION DRAFT

House WM Dems: The so-called "independent" analysis was prepared by John McCain's campaign health care modeler. He is far from an independent, non-partisan broker. HSI Network was paid \$50,000 by the McCain campaign to produce models of the Obama and McCain plans.

HSI: We solicited the Obama campaign for work also and they said no. We were open to anyone paying us to do the analysis. McCain paid for both and we posted them as instructed by them as a client. The lead author was Roger Feldman, an active Democrat and campaign contributor for Dems.

Steve Parente was a McCain health policy adviser in 2008. He also worked for Democratic Senator Jay Rockefeller in 1992-93. During that period of health reform, he worked as a volunteer and was a registered independent until the late 1990s. In 1985, he interned at the British National Health Service due to his interest in how a single payer system could be applied to the United States. He has studied and proposed pragmatic solutions for health reform. For a recent example, see:

<http://www.minnesotamedicine.com/PastIssues/May2009/CommentaryMay2009/tabid/2961/Default.aspx>

House WM Dems: HSI principal admits in the NY Times that they make judgments about assumptions that change the answer and paint them as "black and white" when they are far from the truth. HSI principal and former Bush economist, on October 21, 2008: "Every candidate should say that these numbers were produced by my experts and they're my best estimates but they're not exact," said Roger D. Feldman, a health economist at the University of Minnesota who directed the HSI studies.

HSI: Roger Feldman is not an HSI principal. He was paid to be the study designer and lead author. He is also an active Democrat. He, like any academic economist, chooses to consult to whomever he or she wants. He never worked for either Bush administration, though he spent two years as Reagan administration economist on staff at the Council of Economic Advisers.

House WM Dems: HSI also admits that estimates can vary widely because of the assumptions factored into formulas.

HSI: Everybody admits that because it is true. Including Columbia School of Public Health Professor Sherry Glied, the DHHS ASPE appointee proposed by the Obama Administration.

House WM Dems: In fact, HSI's model of the Obama campaign plan predicted a Federal cost more than 4 times than that predicted by the independent Tax Policy Center and the Lewin Group.

HSI: That's not an accurate statement regarding Lewin. Our cost estimates were around 50% higher than Lewin. Let's keep in mind CBO's reform estimates are becoming much closer to HSI's estimate of the Obama campaign's predicted costs for health reform, minus the children's mandate. Put another way, no one is talking about an \$80 billion a year estimate anymore – which was the Obama campaign's price tag.

House WM Dems: Likewise, HSI's cost estimate of the Senate Health, Education, Labor & Pensions (HELP) bill was 4 times greater than the estimate of the non-partisan Congressional Budget Office (CBO).

HSI: The CBO, by their own admission, did not take into account the cost of the Medicaid expansion or the public plan. HSI included these in their estimates.

House WM Dems: This suggests a pattern of inflated estimates relative to reality. Who is right? HSI as the lone outlier, or the overwhelming evidence from all of the other models, including results from analysts who are not paid by those pursuing political agendas?

HSI: Our estimates are not 400% higher than CBO's on a per covered life basis. If they condemn our recent estimates, they have condemned CBOs. HSI has a \$7.29K per capita per year newly insured over ten years while CBO estimates a \$5.55K per capita per year newly insured. At that rate, CBO's cost for full coverage of the uninsured is \$2.6 trillion versus the recent \$3.4 trillion estimate from HSI. HSI may skew high, but we assume a more generous minimum benefit set. By the way, HSI's early estimate of the impact of Democratic Senate Finance Committee proposal estimate was below CBO's.

House WM Dems: Relative to the Tri-Committee draft, the HSI analysis ignores clear policies in the proposal and is based on assumptions that are inconsistent with the discussion draft:

The HSI analysis assumes substantial erosion of private coverage that rests on two likely false assumptions:

- o (1) that private plans sit idly by and fail to offer products at lower prices to compete with the public option for business; and

HSI: It is pure conjecture that private plans will offer products at lower prices when faced with competition from the public plan. This is because the private plans have hundreds of competitors nationally already. If the plans do undercut

the private plans in premium prices, they will do with presumed full US government backing as was mentioned by Wharton's Scott Herrington in a recent WSJ editorial. If so, this is unfair competition. There is little to no study data based on peer reviewed economic studies to assume that will occur. Our models are based on such studies and the original model was published in Health Affairs.

House WM Dems: o (2) that an employer shared responsibility requirement is ineffective and leads to massive dropping of ESI, despite contrary experience in Massachusetts and in today's market where the majority of employers already offer coverage on a voluntary basis.

HSI: They are signing up mostly for high deductible plans in MA to fill the gap. And the costs are out of control.

House WM Dems: In addition, the analysis says there are no offsets in the discussion draft, yet the bulk of the text consists of payment and delivery system reforms in Medicare and Medicaid that will yield hundreds of billions of dollars in savings. If they missed 500 pages of legislative text, what else did they miss?

HSI: If the Dems can point to savings scored by CBO for those points, as the House budget committee staff did for Coburn / Ryan, HSI will change the estimate and lower the cost estimate. Just e-mail us the documentation.

House WM Dems: Finally, on a positive note, HSI states that "In contrast to the Senate version of this bill, the House version is more fiscally prudent and effective." Given that CBO has scored the Senate versions at \$1-\$1.6 trillion, this indicates that the likely estimate from CBO of the House version is less than that, yet covers more people.

HSI: Happy to oblige.

House WM Dems: This critical conversation should be based on facts and merits, not phony numbers pushed by those with a political or ideological agenda.

HSI: Completely agree. And may it be an actual conversation where these points can be countered and discussed. Dr. Parente and Ms. Tomai want health reform too, but it needs to be sustainable.