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# Christina Romer: Bush, Health Costs to Blame for Deficit

**Posted by Stephanie Condon**

(AP Photo/Ron Edmonds)

One of President Obama's top economic advisers said Monday that the nation's budget problems are largely attributable to two things: rising health care costs and the policies of the Bush administration.

Putting the country back on the path to fiscal soundness will require reforming health care, Christina Romer, the head of the president's Council of Economic Advisers, said in a speech at the Center for American Progress, a liberal think tank. That means adopting policies that slow the growing rate of health care costs, such as a government-run health insurance plan, or "public option," she said.

"There's no way we can get out of this if we don't slow the growth rate of health care costs," Romer said.

Earlier this month, the U.S. Treasury Department reported the federal budget deficit reached a record $1.4 trillion for the 2009 fiscal year, or about 10 percent of Gross Domestic Product. The Obama administration has estimated that a cumulative deficit from 2010 to 2019 would reach $9 trillion.

"By far the lion's share of the projected cumulative deficit is due to policy actions taken in the last administration," Romer said. "In the absence of these actions, we could have had an economic downturn as severe as the current one and responded to it as aggressively as we have, all while keeping the budget roughly balanced over the next 10 years."

Entitlement programs like Social Security, Medicare and Medicaid account for nearly the rest of the long-run deficit, Romer said.

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"Given the central role of rising health care expenditures, any solution to our long-run budget problem will simply have to include slowing the growth rate of health care costs," she said.

Slowing the growth of costs, she said, would result from proposals like a tax on costly health care plans, giving authority to a Medicare advisory board to make cost saving decisions and a "public option."

"A public health insurance option would be a credible entrant in concentrated markets, and would serve as a competitive, alternative choice, constraining the ability of insurers to raise premiums, and thus containing the growth rate of costs," Romer said.

Romer said she was "personally persuaded" the public option would slow the growth of costs by a case study in California. In some California counties, Medicaid beneficiaries are either insured through a private insurer or a public insurer. In other counties, beneficiaries are divided among two competing private plans. The growth of costs in counties with a public plan is slower than in counties with two private plans, Romer said.

There is no evidence yet as to whether a public option that would be "triggered" into effect by a failure of the private industry to meet certain goals would have the same benefits, she said.

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