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I.O.U.S.A – Lessons for Kansas

Something seems to be missing from all the bailout discussions and presidential debates. It could be called a dirty little secret, except that it is not at all little. In fact, it is so big that it has serious implications for how the federal government will be able to function in the future, and whether states such as Kansas can continue to expect federal funds to fuel their budget growth.

What's the secret? It's the massive debt our nation is piling up. It should call into question the wisdom of huge increases in spending, especially given that its ramifications for the economy threaten to make the crisis on Wall Street pale by comparison.

Fortunately, there is a new documentary hitting screens around the country that deals with exactly this topic. The film, "I.O.U.S.A.," takes a hard look at the state of America's finances. It is currently screening in locations around the country, but the trailer and more information are available online at www.iouathemovie.com. A book of the same title is also now available.

The documentary follows former U.S. Comptroller-General David Walker and Robert Bixby, director of the non-partisan Concord Coalition, on their "Fiscal Wake-Up Tour." Walker, who is now President and CEO of the non-profit Peter G. Peterson Foundation, resigned from his General Accounting Office post in February. His goal is to devote himself to the task of educating Americans about the nature of the real economic crisis they face and to provide actions steps they can take to avert disaster.

In the film, viewers learn that while national debt now accounts for 66 percent of the gross national product, this is unlikely to shrink as the baby boomers hit retirement. The Peterson Foundation, in its recently released "Citizen's Guide to the Financial Condition of the United States Government," notes that "10,000 baby boomers will become eligible for Social Security benefits each day for the next two decades." As they do, the national debt will rise from 66 to 244 percent of GNP by 2040.

In fact, by 2027 federal revenues "will not even cover net interest, Social Security, Medicare and Medicaid." The only way to fund other programs – education, national defense and homeland security, for instance – will be to borrow even more.

According to Walker, if we do not "dramatically and fundamentally reform our health care system in installments over the next 20 years," we could face bankruptcy. "It's the number one fiscal challenge for the federal government, it's the number one fiscal challenge for state governments and it's the number one competitive challenge for American business."

Here in Kansas, that means policymakers need to reconsider their approach to Medicaid and the State Children's Health Insurance Program, or SCHIP. The

numbers of those enrolled in these programs have continued to rise with eligibility expansions in recent years, and the costs per enrollee have risen at the same time. The number of Kansans receiving Medicaid services grew over 55 percent from 1995 to 2007. At 340,000 in 2007, that means that over 12 percent of the total state population currently receives Medicaid benefits.

Even so, Governor Sebelius and the Kansas Health Policy Authority have focused on ways to expand this number further. The growing scope and cost of these entitlements were unsustainable before the full nature of national finances was known. With full knowledge of the situation they appear completely out of control.

As a federal-state partnership, the Kansas Medicaid program is dependent on the federal government to fund the majority of its expenses. Up until now, this roughly 60/40 split has only encouraged additional spending at the state level. The federal government's increasing inability to honor its obligations going forward, however, requires Kansas policymakers to scale back their ambitions to better reflect economic reality.

Instead of looking for ways to usher in universal coverage through state programs, it is time for officials to focus their attention on two key areas. First, they must begin the work of real reform of Medicaid that will yield a sustainable program. Second, they need to look toward market-based solutions such as expanding the use of health savings accounts as a way to address those without coverage. To do otherwise at this point is to put our future at risk.

"We are mortgaging the future of our children and grandchildren at record rates, says Walker. "That is not only an issue of fiscal irresponsibility; it's an issue of immorality."

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