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I.O.U.S.A. – Lessons for Kansas

By Matthew Hisrich

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 the crisis on Wall Street pales 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. The documentary follows former U.S. Comptroller-General David Walker on a "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.

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. According to the Peterson Foundation, "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 in recent years, and the costs per enrollee have risen at

the same time. The costs were unsustainable before the full nature of national finances were 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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