

TO THE EDITOR OF THE WALL STREET JOURNAL

Response to August 6 Review and Outlook Section editorial, "Obamacare's Real Price Tag"
by Concerned Actuary Group

We read the August 6 editorial, "Obamacare's Real Price Tag," with great interest. The analysis in the piece confirms the actual Medicare historic experience of: (1) consistent underestimates of costs, (2) continued escalation in the level of Medicare's unfunded liability ... which is currently approaching \$40 trillion as reported in the annual Medicare Trustees Report, and (3) lack of normal management controls within the Medicare program. Any well-managed public company has a system of management controls that periodically adjust program design and funding to assure consistency with initial costing expectations.


We are a group of concerned actuaries that have been working for several years to increase public awareness of the financial realities, including intergenerational equities, of Medicare and other social insurance and public finance programs. The actuarial profession has unique expertise in this critical area. Our group believes strongly that the concept of profession carries with it an obligation to serve the public.

We have several immediate suggestions for increasing public understanding of current cost issues and providing a framework for consistently evaluating each and every new proposal, such as pending health care legislation. Our objective is not to support one program or another, but to assure that any program considered meets minimum preset financial and management standards (standards we demand in the accounting for any and all non-governmental enterprises). Our citizens are owed assured long-term financial soundness.

Several simple steps to start with:

1. Demand that any future public health care program learn from Medicare and other prior experiences. Don't repeat the same mistakes. Medicare costs have been underestimated and the program undermanaged since its inception in 1965.

2. Demand that government programs be held to the same accounting requirements and transparency as public companies. After all, government is funded solely by citizen-shareholders and these shareholders should have the same protection as public company shareholders.
3. Charge a non-partisan coalition of leading financial experts (i.e., academics, accountants, actuaries, and economists) to provide a meaningful framework for designing and managing public programs ... not to prescribe answers, but to establish standards and management disciplines that politicians and regulators must follow.
4. Focus assuring balance in future program revenues and costs. No financial system will work with revenues increasing 5 percent a year and costs increasing 8 percent a year, as expected in current CBO projections of the proposed health care plans.

All agree that health care should be reformed. We owe it to our kids and grandchildren to be very specific in how we design and manage these reforms. We have a moral responsibility to avoid the runaway costs and inadequate management discipline that has brought us and, more importantly, our children, to the financial precipice we stand on today. 

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