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Medicare and the Budget

Seeking Common Ground in a Political Partisan Climate

Should the House Pass the "Ryan Budget Plan"?

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Medicare and the Budget

Seeking Common Ground in a Partisan Political Climate

"He who decides a case without hearing the other side . . . Tho he decide justly, cannot be considered just." — *Seneca*

F O R E W O R D

When President Lyndon B. Johnson signed into law the act establishing Medicare in 1965, he presented the first Medicare card to former President Harry Truman, saying, "No longer will older Americans be denied the healing miracle of modern medicine."

President Johnson probably could not have foreseen the trajectory that the Medicare program would take over the next half century. The program initially covered 19 million people and, by 1970, cost $7.4 billion. In 2010, it covered 47.5 million Americans — including 39.6 million people 65 or older and 7.9 million disabled. Total benefits paid out were $516 billion. Today, it is the second largest segment of the Federal budget after Social Security payments, but also one of the most popular government programs — making attempts to contain costs politically precarious.

The program has two basic parts: a Hospital Insurance (HI) program that automatically covers most Americans age 65 and older and a voluntary Supplemental Medicaid Insurance program (SMI) that is available for a monthly premium to qualifying disabled persons. Medicare also offers Advantage plans that allow users to customize their coverage to fit their medical needs and a prescription drug benefit, added in 2003.

As with Social Security, eligibility for Medicare is determined by age and years worked, rather than by income level. Funding for HI is through a payroll tax on workers' earnings, matched by employer contributions and paid over the working lifetime of future beneficiaries. Funding for SMI is provided partially through premiums and partially through Federal revenues.

Medicare's rising costs are attributable to both increasing health care expenses generally and an aging society with a larger population of elderly people who are living longer and therefore have more medical needs.

Thus, in 2011, with a record Federal deficit and Congress poised to vote on raising the debt ceiling to prevent the government from defaulting on its financial obligations, Medicare has become a flashpoint of debate. Adding to the urgency of the situation, the Medicare Board of Trustees recently projected that the program's trust fund would be depleted by 2024, five years earlier than previously expected.

In April, President Barack Obama and congressional Republicans put forth sharply differing plans for tackling the problem.

President Obama proposed broad reforms in Medicare that he says will save hundreds of billions of dollars over the next 12 years and more than $1 trillion in the following decade. The Administration's health care reform law also contains measures designed to rein in spending as they begin to take effect.

On April 15, the House passed a budget proposal authored by Budget Committee Chairman Paul Ryan (WI-R) that would transform Medicare, beginning in 2022, into a system in which seniors would receive a set sum every year to purchase private insurance — rather than having their care paid for directly by the government.

Those in favor of the Ryan budget plan argued that if Congress does not act promptly and decisively to fix the Nation's fiscal problems, future generations will be left with a mountain of debt and a diminished standard of living. The Ryan proposal, they contend, would keep Medicare from going bankrupt and create a reliable system with guaranteed coverage options, similar to those enjoyed by Members of Congress.

Opponents charge that Ryan's proposal would transfer the cost of health care to seniors by forcing them into the private market, where costs are rising and policies are discriminatory. They argue that Medicare is a successful program that represents a social contract with older Americans to provide affordable, accessible, and comprehensive care. Any serious plan to balance the budget, they say, must put everything on the table, including tax breaks for the wealthiest citizens.

Meanwhile, looming deadlines on the debt ceiling and the 2012 budget are forcing the issue and driving the House and Senate leaders and the White House to negotiate a compromise, first by seeking common ground, wherever possible, on spending cuts and fiscal priorities. ■

Report on Medicare Solvency
Projections by the Board of Trustees

The Medicare program has two components. Hospital Insurance (HI), or Medicare Part A, helps pay for hospital, home health, skilled nursing facility, and hospice care for the aged and disabled. Supplementary Medical Insurance (SMI) consists of Medicare Part B and Part D.

Part B helps pay for physician, outpatient hospital, home health, and other services for the aged and disabled who have voluntarily enrolled. Part D provides subsidized access to drug insurance coverage on a voluntary basis for all beneficiaries and premium and cost-sharing subsidies for low-income enrollees.

Medicare also has a Part C, which serves as an alternative to traditional Part A and Part B coverage. Under this option, beneficiaries can choose to enroll in and receive care from private "Medicare Advantage" and certain other health insurance plans that contract with Medicare. The costs for such beneficiaries are generally paid on a prospective, capitated basis from the HI and SMI Part B trust fund accounts.

■ 2010 Medicare Figures

In 2010, 47.5 million people were covered by Medicare: 39.6 million aged 65 and older, and 7.9 million disabled. About 25 percent of beneficiaries have chosen to enroll in Part C private health plans that contract with Medicare to provide Part A and Part B health services. Total benefits paid in 2010 were $516 billion. Income was $486 billion, expenditures were $523 billion, and assets held in special issue U.S. Treasury securities were $344 billion.

■ Short-Range Results

The financial status of the HI trust fund was substantially improved by the lower expenditures and additional tax revenues instituted by the Affordable Care Act (ACA). However, the HI trust fund is now estimated to be exhausted in 2024, five years earlier than was shown in last year's report, and the fund is not adequately financed over the next 10 years. HI taxable earnings in 2010 were lower than previously estimated, and the rate of growth in these earnings is projected to accelerate and to exceed last year's growth assumptions in 2011–2019. HI expenditures in 2010 were close to the previous estimate, but the projected level grows more rapidly than shown in last year's report because of the projected faster growth in earnings.

HI expenditures have exceeded income annually since 2008 and are projected to continue doing so through the short-range period until the fund becomes exhausted in 2024. In 2010, $32.3 billion in trust fund assets were redeemed to cover the shortfall of income relative to expenditures. The assets were $272 billion at the beginning of 2011, and the asset balance will fall below the Trustees' recommended minimum level early in 2011 under the intermediate assumptions, one year earlier than estimated in last year's report. The HI trust fund has not met the Trustees' formal test of short-range financial adequacy since 2003.

The SMI trust fund is adequately financed over the next 10 years and beyond because premium and general revenue income for Parts B and D are reset each year to match expected costs. Part B costs, however, have been increasing rapidly, having averaged 6.9 percent annual growth over the last five years, and are likely to continue doing so. Under current law, an average annual growth rate of 4.7 percent is projected for the next five years.

This rate is unrealistically constrained due to a physician fee reduction of over 29 percent that would occur in 2012 under current law. If Congress overrides this reduction, as they have for 2003 through 2011, the Part B growth rate would instead average 7.5 percent. For Part D, the average annual increase in expenditures is estimated to be 9.7 percent through 2020. The U.S. economy is projected to grow at an average annual rate of 5.2 percent during this period, significantly more slowly than Part D and the probable growth rate for Part B.

Transfers from the general fund are an important source of financing for the SMI trust fund and are central to the

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From the 2011 Annual Report of the Boards of Trustees of the Federal Hospital Insurance and Federal Supplementary Medical Insurance Trust Funds*, released May 13, 2011. See http://www.cms.gov/ReportsTrustFunds/downloads/tr2011.pdf.*

automatic financial balance of the fund's two accounts. Such transfers represent a large and growing requirement for the Federal Budget. SMI general revenues currently equal 1.5 percent of GDP [gross domestic product] and would increase to an estimated 3.0 percent in 2085 under current law (or to 4.8 percent under the illustrative alternative to current law).

The difference between Medicare's total outlays and its "dedicated financing sources" is estimated to reach 45 percent of outlays in fiscal year 2011, the first year of the projection. Based on this result, the Board of Trustees is required to issue a determination of projected "excess general revenue Medicare funding" in this report. This is the sixth consecutive such finding, and it again triggers a statutory "Medicare funding warning," indicating that Federal general revenues are becoming a substantial share of total financing for Medicare. The law directs the President to submit to Congress proposed legislation to respond to the warning within 15 days after the date of the Budget submission for the succeeding year.

■ Long-Range Results

For the 75-year projection period, the HI actuarial deficit has increased from 0.66 percent of taxable payroll, as shown in last year's report, to 0.79 percent of taxable payroll, principally because of higher projected real (inflation-adjusted) expenditures and the effect of recent weak economic performance on HI tax revenue.

The Affordable Care Act substantially reduces the actuarial deficit compared to prior law; however, this improvement depends in significant part on the long-range feasibility of downward adjustments to increases in payment rates for all categories of HI providers in all future years. Without fundamental changes in today's health care delivery and payment systems, these reductions would probably not be viable indefinitely into the future and would likely result in HI payment rates that would eventually become inadequate to compensate providers for their costs of treating beneficiaries, with adverse implications for beneficiary access to care.

Under the illustrative alternative scenario, which assumes that the lower price updates are gradually phased out over 16 years starting in 2020, about 60 percent of the full ACA savings would still be realized, and the HI actuarial deficit would be 2.15 percent of taxable payroll. The difference between the current-law and illustrative alternative HI projections underscores the importance of finding innovative new methods of delivering and paying for health care that achieve better cost efficiency without compromising the quality of outcomes.

The Affordable Care Act institutes a major new program of research and development, which could lead to such results. Until specific methods have been designed, tested, and implemented, however, it is likely that the current-law projections for the HI trust fund (and SMI Part B as well) substantially understate the future cost of the program.

Part B outlays were 1.5 percent of GDP in 2010 and are projected to grow to about 2.4 percent by 2085. These cost projections are almost certainly understated as a result of the substantial reduction in physician payments that would be required under current law and are further understated if the reductions in future price updates for most other Part B providers are not viable. Actual future Part B costs will depend on the steps Congress might take to address these situations, but under the illustrative alternative projections, Part B costs would be 4.9 percent of GDP in 2085 and would exceed the current-law projections by 20 percent in 2020, by 29 percent for 2030, and by 103 percent in 2085.

Part D outlays are estimated to increase from 0.4 percent of GDP in 2010 to about 1.7 percent by 2085. These outlay projections are slightly lower than those shown in last year's report principally because of lower-than-expected spending in 2010 as well as a reduction in the projected growth in prescription drug spending in the U.S. for the next 10 years.

■ Conclusion

The financial outlook for the Medicare program is substantially improved as a result of the changes in the Affordable Care Act. In the long range, however, much of this improvement depends on the feasibility of the ACA's downward adjustments to future increases in Medicare prices for most categories of health care providers. The development and implementation of new models for delivering and paying for health care have the potential to reduce cost growth rates to the level established by the statutory price updates, but specific outcomes cannot be assessed at this time.

Total Medicare expenditures were $523 billion in 2010 and are projected under current law to increase in future years at a somewhat faster pace than either workers' earnings or the economy overall. As a percentage of GDP, expenditures are estimated to increase from 3.6 percent in 2010 to 6.2 percent by 2085 (based on our intermediate set of assumptions). If Congress continues to override the statutory decreases in physician fees, and if the reduced price increases for other health services un-

Continued on page 192

Republican Budget for Fiscal Year 2012

"The Ryan Plan"

Where the President has failed, House Republicans will lead. This budget helps spur job creation today, stops spending money the government doesn't have, and lifts the crushing burden of debt. This plan puts the budget on the path to balance and the economy on the path to prosperity.

■ Key Facts

Spending. Cuts $6.2 trillion in government spending over the next decade compared to the President's budget, and $5.8 trillion relative to the current-policy baseline. Eliminates hundreds of duplicative programs, reflects the ban on earmarks, and curbs corporate welfare, bringing nonsecurity discretionary spending to below 2008 levels. Brings government spending to below 20 percent of the economy, a sharp contrast to the President's budget, in which spending never falls below 23 percent of GDP [gross domestic product] over the next decade.

Debt and Deficits. Reduces deficits by $4.4 trillion compared to the President's budget over the next decade. Surpasses the President's low benchmark of sustainability — which his own budget fails to meet — by reaching primary balance in 2015. Puts the budget on the path to balance and pays off the debt.

Taxes. Keeps taxes low so the economy can grow. Eliminates roughly $800 billion in tax increases imposed by the President's health care law. Prevents the $1.5 trillion tax increase called for in the President's budget. Calls for a simpler, less burdensome tax code for households and small businesses. Lowers tax rates for individuals, businesses and families. Sets top rates for individuals and businesses at 25 percent. Improves incentives for growth, savings, and investment.

From The Path to Prosperity: Restoring America's Promise — Summary of the Fiscal Year 2012 Budget Resolution, *House Committee on the Budget, Paul Ryan (WI-R), Chairman, April 5, 2011. See http:budget.house.gov/UploadedFiles/PathToProsperityFY2012.pdf.*

Growth and Jobs. Creates nearly 1 million new private-sector jobs next year and results in 2.5 million additional private sector jobs in the last year of the decade. Spurs economic growth, increasing real GDP by $1.5 trillion over the decade. Unleashes prosperity and economic security, yielding $1.1 trillion in higher wages and an average $1,000 per year in higher income for each family.

■ Key Objectives

Economic Growth and Job Creation. Fosters a better environment for private-sector job creation by lifting debt-fueled uncertainty and advancing pro-growth tax reforms.

Spending Cuts and Controls. Stops Washington from spending money it does not have on government programs that do not work. Locks in spending cuts with spending controls.

Real Security. Fulfills the mission of health and retirement security for all Americans by making the tough decisions necessary to save critical health and retirement programs.

Patient-Centered Health Care. Repeals and defunds the President's health care law, advancing instead commonsense solutions focused on lowering costs, expanding access, and protecting the doctor-patient relationship.

Restoring America's Exceptional Promise. Tackles the existential threat posed by rapidly growing government and debt, applying the Nation's timeless principles to this generation's greatest challenge. Ensures that the next generation inherits a stronger, more prosperous America.

■ Efficient, Effective, Responsible Government

Prioritizing National Security. Reflects $178 billion in savings identified by Defense Secretary Robert Gates, reinvesting $100 billion in higher military priorities and dedicating the rest to deficit reduction.

Continued on page 192

Democratic Budget for Fiscal Year 2012
The Minority Alternative

In the face of large deficits, the Republican budget nonetheless increases tax breaks for millionaires and extends tax breaks to oil companies and special interests that ship jobs overseas. It pays for these new tax cuts on the back of working Americans. It ends the Medicare guarantee for seniors and cuts support for seniors in nursing homes, disabled individuals, and low-income children who depend on Medicaid. It also slashes vital investments in education, public safety, research into cures and treatments for diseases, clean energy, and critical infrastructure.

■ Reduces the Deficit Responsibly, Reaches Primary Balance by 2018

The Democratic budget responsibly brings the budget back into control. Our economy is still pulling out of a devastating downturn that has left many Americans struggling. Expert analysis indicates that cutting spending too quickly would disrupt the fragile recovery, while going too slowly could make the problem harder to solve. That's why the Democratic budget reduces deficits gradually, leading to a marked drop in the growth in debt relative to the economy, and reaching primary balance by 2018, all the while protecting the well-being of our citizens and making investments that are essential for the future.

All told, the Democratic budget reduces the deficit by $1.2 trillion more than the President's budget over 10 years. The Republican budget reaches primary balance three years earlier than the Democratic budget, but at the expense of working Americans; it ends the Medicare guarantee for seniors, cuts support for those who depend on Medicaid for nursing home care and health services, and slashes vital investments that make our nation strong to offset some of the costs of extending more tax breaks to special interests.

From Key Aspects of the 2012 Democratic Budget, *prepared by the House Committee on the Budget, Democratic Caucus, April 13, 2011. See http://democrats.budget.house.gov/doc-library/FY2012/04132011-summaryofthedemocraticbudget.pdf.*

■ Discretionary Spending

Freezes Nonsecurity Discretionary Funding for Five Years. The Democratic budget matches the President in freezing total nonsecurity discretionary funding for five years, although it does not advocate all of his specific programmatic funding increases and cuts. For example, the Democratic budget explicitly rejects the President's proposed cuts to the Low Income Home Energy Assistance Program (LIHEAP), the Community Development Block Grant (CDBG), and Community Service Block Grant (CSBG). Under the Democratic budget, funding grows for education, research, and innovation, reflecting their importance in promoting job growth, and promoting our "Make it in America" agenda.

The Appropriations Committee will have to offset House Budget Committee Democratic staff programmatic increases above the President's level with cuts in lower priority programs, looking first to programs that are duplicative, ineffective, or inefficient. The Government Accountability Office and other experts have identified areas that merit scrutiny. Nonsecurity savings total $212 billion over 10 years compared with current levels.

Cuts Security Funding. We recognize and support the importance of security programs — defense, international, and homeland security — to our Nation's well-being. But all areas of the budget must be examined to put our budget back on a sound fiscal path and control our growing debt. The President's bipartisan Fiscal Commission and other budget experts have identified potential savings in security funding. The Democratic budget assumes proposals to streamline security programs, generating savings while maintaining a strong military, homeland security, and international presence. Security savings total $89 billion over 10 years compared with current levels, with a level $308 billion less than the President's request.

Phases out Overseas Contingency Fund. The Democratic budget includes the President's Overseas Contingency Operations level through 2014, but provides no funding for 2015 and beyond. This is consistent with the

President's stated policy that all troops will be redeployed from Iraq by the end of 2011 and that Afghan forces will take the lead in security operations in Afghanistan by the end of 2014. The budget saves $309 billion relative to the President's placeholder for overseas contingencies.

Protects Veterans Services. The Democratic budget fully funds the President's request to provided needed services and benefits for veterans.

■ Mandatory Spending

Supports Infrastructure Bank and Transportation Spending. Our budget supports bipartisan cooperation to identify a funding source to build out and maintain our highway and transit infrastructure. It also supports deficit-neutral capitalization of an infrastructure bank to provide funding for a variety of needs, including transportation, waterways, clean energy infrastructure, and school buildings. Where the Republican budget cuts about $318 billion in transportation funding that benefits our families, businesses, and communities, the Democratic budget sets a path for a surface transportation reauthorization and new investments.

Allows for a Fully Paid for Doctor Fix. The Democratic budget follows the President's lead in directing that doctor payments under the Medicare program will not be cut as scheduled under current law. The budget requires offsets to the cost of either a temporary fix or permanent reform.

Includes Pell Grant and Supplemental Nutrition Assistance (SNAP) Initiatives. The Democratic budget includes two mandatory initiatives that are fully paid for with spending reductions. First, it includes the President's proposed mandatory funding to sustain the maximum Pell Grant award at $5,550, in contrast to the Republican budget, which cuts Pell Grant funding substantially, reducing college assistance to more than 9 million students. Second, the budget reverses the SNAP (food stamp) reduction enacted in December 2010.

Protects Medicaid and the Medicare Guarantee for Seniors. The Democratic budget protects Medicare's guarantee of health care coverage for seniors and disabled workers. It also preserves the existing structure of Medicaid that provides a health care safety net for vulnerable children, families, seniors, and persons with disabilities. In contrast, the Republican budget dismantles Medicaid and ends Medicare by converting it into an inadequate voucher for the purchase of private insurance.

Supports Real Health Reform That Began with the Affordable Care Act. The budget protects the important new reforms enacted in the Affordable Care Act, the vast majority of which the Republican budget will repeal. The Act expands affordable health insurance coverage to more than 30 million Americans and provides improved benefits to seniors such as closing the prescription drug benefit's coverage gap and full coverage of key preventive health services. The Affordable Care Act has already put in place provisions to bend the health cost growth curve, and it lays the foundation for further reform.

Opposes Privatizing Social Security. The Democratic budget supports our Social Security guarantees to seniors and rejects any proposals for privatization.

Funds Program Integrity Initiatives. Within the non-security freeze, the Democratic budget includes funding for four program integrity initiatives designed to make sure taxpayers pay what they owe and that beneficiaries of a variety of entitlement programs meet program qualifications.

Reduces Agriculture Payments. The budget reduces spending for farm subsidies by $20 billion over 10 years, moving assistance away from wealthy agribusinesses and toward struggling family farmers. Recognizing that farm policy is vital to rural communities and protects food and energy security around the country, the budget maintains the farm and nutrition safety net.

■ Revenues

Matches the Savings from the President's Revenue Policies. The Democratic budget makes permanent the 2001 and 2003 tax cuts for working Americans (individuals with income below $200,000 and couples below $250,000), but does not extend the tax cuts for those with higher incomes. It also assumes extension of the estate and gift tax at the 2009 parameters, and tax changes to keep working families from being hit by the Alternative Minimum Tax.

The Democratic budget makes permanent the research and development tax credit, which will spur innovation and economic growth. It encourages the Ways and Means Committee to consider the Fiscal Commission's proposals to limit tax expenditures, and to consider corporate tax reform proposals that can most effectively optimize economic growth and provide for necessary revenues. ■

The President's Remarks on Fiscal Policy

"The Country We Believe In"

This debate over budgets and deficits is about more than just numbers on a page; it's about more than just cutting and spending. It's about the kind of future that we want. It's about the kind of country that we believe in. And that's what I want to spend some time talking about today.

From our first days as a Nation, we have put our faith in free markets and free enterprise as the engine of America's wealth and prosperity. More than citizens of any other country, we are rugged individualists, a self-reliant people with a healthy skepticism of too much government.

But there's always been another thread running through our history — a belief that we're all connected, and that there are some things we can only do together, as a Nation. We believe, in the words of our first Republican President, Abraham Lincoln, that through government, we should do together what we cannot do as well for ourselves.

And so we've built a strong military to keep us secure, and public schools and universities to educate our citizens. We've laid down railroads and highways to facilitate travel and commerce. We've supported the work of scientists and researchers whose discoveries have saved lives, unleashed repeated technological revolutions, and led to countless new jobs and entire new industries. Each of us has benefitted from these investments, and we're a more prosperous country as a result.

Part of this American belief that we're all connected also expresses itself in a conviction that each one of us deserves some basic measure of security and dignity. We recognize that no matter how responsibly we live our lives, hard times or bad luck, a crippling illness or a layoff may strike any one of us. And so we contribute to programs like Medicare and Social Security, which guarantee us health care and a measure of basic income after a lifetime of hard work; unemployment insurance, which protects us against unexpected job loss; and Medicaid, which provides care for millions of seniors in nursing homes, poor children, those with disabilities. We're a better country because of these commitments.

From remarks by President Barack Obama at George Washington University in Washington, D.C., April 13, 2011. See http://www.whitehouse.gov/the-press-office/2011/04/13/remarks-president-fiscal-policy.

Now, for much of the last century, our Nation found a way to afford these investments and priorities with the taxes paid by its citizens. As a country that values fairness, wealthier individuals have traditionally borne a greater share of this burden than the middle class or those less fortunate. Everybody pays, but the wealthier have borne a little more. This is not because we begrudge those who've done well — we rightly celebrate their success. Instead, it's a basic reflection of our belief that those who've benefited most from our way of life can afford to give back a little bit more. Moreover, this belief hasn't hindered the success of those at the top of the income scale. They continue to do better and better with each passing year.

Now, at certain times — particularly during war or recession — our Nation has had to borrow money to pay for some of our priorities. But as far back as the 1980s, America started amassing debt at more alarming levels, and our leaders began to realize that a larger challenge was on the horizon. They knew that eventually, the baby boom generation would retire, which meant a much bigger portion of our citizens would be relying on programs like Medicare, Social Security, and possibly Medicaid. Like parents with young children who know they have to start saving for the college years, America had to start borrowing less and saving more to prepare for the retirement of an entire generation.

To meet this challenge, our leaders came together three times during the 1990s to reduce our Nation's deficit. They forged historic agreements that required tough decisions made by the first President Bush, then by President Clinton, by Democratic Congresses and by a Republican Congress. All three agreements asked for shared responsibility and shared sacrifice. But they largely protected the middle class; they largely protected our commitment to seniors; they protected our key investments in our future.

As a result of these bipartisan efforts, America's finances were in great shape by the year 2000. We went from deficit to surplus. America was actually on track to becoming completely debt free, and we were prepared for the retirement of the baby boomers.

But after Democrats and Republicans committed to fiscal discipline during the 1990s, we lost our way in the decade that followed. We increased spending dramatically for two wars and an expensive prescription drug program — but we didn't pay for any of this new spending. Instead, we made the problem worse with trillions of dollars in unpaid-for tax cuts that went to every millionaire and billionaire in the country; tax cuts that will force us to borrow an average of $500 billion every year over the next decade.

To give you an idea of how much damage this caused to our Nation's checkbook, consider this: In the last decade, if we had simply found a way to pay for the tax cuts and the prescription drug benefit, our deficit would currently be at low historical levels in the coming years.

But that's not what happened. And so, by the time I took office, we once again found ourselves deeply in debt and unprepared for a baby boom retirement that is now starting to take place. When I took office, our projected deficit, annually, was more than $1 trillion. On top of that, we faced a terrible financial crisis and a recession that, like most recessions, led us to temporarily borrow even more.

In this case, we took a series of emergency steps that saved millions of jobs, kept credit flowing, and provided working families extra money in their pocket. It was absolutely the right thing to do, but these steps were expensive, and added to our deficits in the short term.

So here's the truth. Around two-thirds of our budget is spent on Medicare, Medicaid, Social Security, and national security. Programs like unemployment insurance, student loans, veterans' benefits, and tax credits for working families take up another 20 percent. What's left, after interest on the debt, is just 12 percent for everything else. That's 12 percent for all of our national priorities — education, clean energy, medical research, transportation, our national parks, food safety, keeping our air and water clean, you name it, all of that accounts for 12 percent of our budget.

Any serious plan to tackle our deficit will require us to put everything on the table, and take on excess spending wherever it exists in the budget.

One vision has been presented and championed by Republicans in the House of Representatives and embraced by several of their party's presidential candidates. It's a plan that aims to reduce our deficit by $4 trillion over the next 10 years, and one that addresses the challenge of Medicare and Medicaid in the years after that.

These are both worthy goals. But the way this plan achieves those goals would lead to a fundamentally different America than the one we've known certainly in my lifetime.

A 70 percent cut in clean energy. A 25 percent cut in education. A 30 percent cut in transportation. Cuts in college Pell Grants that will grow to more than $1,000 per year. That's the proposal. These aren't the kind of cuts you make when you're trying to get rid of some waste or find extra savings in the budget. These are the kinds of cuts that tell us we can't afford the America that I believe in and I think you believe in.

I believe it paints a vision of our future that is deeply pessimistic. It's a vision that says if our roads crumble and our bridges collapse, we can't afford to fix them. If there are bright young Americans who have the drive and the will but not the money to go to college, we can't afford to send them.

It's a vision that says America can't afford to keep the promise we've made to care for our seniors. It's a vision that says up to 50 million Americans have to lose their health insurance in order for us to reduce the deficit.

The America I know is generous and compassionate. It's a land of opportunity and optimism. Yes, we take responsibility for ourselves, but we also take responsibility for each other; for the country we want and the future that we share. We're a Nation that built a railroad across a continent and brought light to communities shrouded in darkness. We sent a generation to college on the GI Bill, and we saved millions of seniors from poverty with Social Security and Medicare. We have led the world in scientific research and technological breakthroughs that have transformed millions of lives. That's who we are. We don't have to choose between a future of spiraling debt and one where we forfeit our investment in our people and our country.

I will not allow Medicare to become a voucher program that leaves seniors at the mercy of the insurance industry, with a shrinking benefit to pay for rising costs. I will not tell families with children who have disabilities that they have to fend for themselves. We will reform these programs, but we will not abandon the fundamental commitment this country has kept for generations.

Finally, there are those who believe we shouldn't make any reforms to Medicare, Medicaid, or Social Security, out of fear that any talk of change to these programs will immediately usher in the sort of steps that the House Republicans have proposed. And I understand those fears. But I guarantee that if we don't make any changes at all, we won't be able to keep our commitment to a retiring generation that will live longer and will face higher health care costs than those who came before.

This larger debate that we're having about the size and the role of government has been with us since our founding days. And during moments of great challenge and change the debate gets sharper and it gets more vigorous. That's not a bad thing. In fact, it's a good thing. As a country that prizes both our individual freedom and our obligations to one another, this is one of the most important debates that we can have. ■

The Medicare Debates of 1965, 1995, and 2003

Pros and Cons of Medicare's Creation and Subsequent Reforms

Since its establishment in 1965, Medicare has provided an important measure of health security for the Nation's elderly. Over the years, however, the program's rising costs and long-term solvency have been constant themes of debate.

■ The 1965 Debate

During the 1964 political campaign, President Lyndon B. Johnson promised, if elected, to seek passage of legislation establishing a program of "medicare" for the aged under the Federal Social Security system. Following the Democratic victory, the first bill introduced in each house of the newly convened 78th Congress was the King-Anderson bill (after Representative Cecil King [CA-D] and Senator Clinton Anderson [NM-D]).

The measure sought to establish as a permanent part of the Social Security program a compulsory "health insurance" tax on wages that, together with general tax revenues, would be used to finance a program of limited hospital and nursing home benefits for all persons 65 and older.

The following is from the debate on that proposed legislation, excerpted from the March 1965 issue of *Congressional Digest*, "The Medicare Controversy in the Current Congress."

Pro

Honorable Clinton P. Anderson

United States Representative, New Mexico, Democrat

From an address given on the floor of the U.S. Senate on January 6, 1965, on the occasion of his introduction of S. 1, a bill to provide a hospital insurance program for the aged under Social Security.

I feel certain that historians will mark this year as the turning point in our long struggle to solve the major part of what has become one of the most urgent issues of public policy — the problem of financing the costs of hospital care for the aged, costs which now represent the major remaining cause of personal financial disaster among our aged citizens.

Since 1946, the average cost for one day of hospital care has risen from $9 to nearly $40. This situation is compounded by the fact that the aged hospital patient, on the average, spends three times as long in the hospital as a younger person. To make things worse, 55 percent of these aged have annual incomes of less than $1,000.

Despite great efforts and much ingenuity on the part of the voluntary insurance organizations, today only a relatively few older people — perhaps one in 20 — have insurance covering as much as 40 percent of their average health costs. Almost half of the elderly have no health insurance at all.

The conclusion is inescapable. The only solution is to provide a system under which people can contribute from earnings during their working years to help pay for hospital care and related services that will be needed later on when the risk is higher and income curtailed.

Honorable Wilbur J. Cohen

Assistant Secretary of Health, Education, and Welfare

From a statement issued on January 5, 1965, titled "Hospital Insurance for the Aged — A Conservative Approach."

The Social Security approach in my opinion offers the most practical mechanism by which people would be able to provide for health costs they will face in old age. It is while they are working that people are best able to contribute toward the cost of health care needed in old age.

Under a contributory Social Security hospital insurance program, specific benefits would be provided as an earned right, and the proposed program would avoid the personal indignities associated with means-test programs, which classify people who are aided as being too poor to pay their own way.

Also, since Social Security benefits become available while the aged still have resources, the program helps them to preserve their independence throughout their lives.

There is nothing very radical about the Social Security system. As a matter of fact, it is a very conservative approach to dealing with this kind of problem. The Social Security financing system is based on the idea that the individual will contribute part of the cost of his protection. It thus stresses contributory participation against the "free" or general revenue or welfare approach.

Con

Honorable Roman L. Hruska
United States Senator, Nebraska, Republican

From the September 2, 1964, Senate floor debate on "medicare" amendments to H.R. 11865, a House-passed bill to amend the Federal Social Security program.

The proponents of medicare have often blurred the facts about the current availability of health care insurance for the elderly. One seldom hears them concede, for example, that three times as many people age 65 and over have private medical coverage as those who had it 10 years ago. And the number is continuing to rise.

The proponents appear to argue that the reaching of age 65 automatically makes a person an indigent. Those who have reached this age of wisdom will be the first to protest such a classification. They will also be the first to disclaim any right to the hard-earned income of those now working.

Rather than enact a program which would give small benefits to all over age 65, let us concentrate our efforts and resources on those who need such aid most. The existing plans, if properly arranged, will allow us to continue to offer increasing assistance to the needy aged.

American Medical Association (AMA)
Norman A. Welch, M.D., President
Edward R. Annia, Past President

From August 13, 1964, hearings before the Senate Finance Committee on H.R. 11865, a House-passed bill to amend the Federal Social Security program.

Proponents of these measures are insisting on an economic solution for a social problem. They would impose on the Nation a permanent system of tax-supported, government-regulated health care.

As the system grew, it would lead to a deterioration of the quality of health care by disrupting the voluntary relationship between the patient and his physician, interfering with the free selection of diagnostic and therapeutic choices by the physician, undermining financial incentive, and imposing centralized direction which would frustrate the striving for professional excellence. The inevitable result would be a form of medicine alien to these shores — medicine on an assembly line basis — and a loss of able entrants into the health care field because of government controls over the profession.

As the legislative struggle over proposals for financial health care of the aged through Social Security nears its climax, I think all Americans should clearly understand that the basic principles on which our magnificent health care system rests are in peril as never before.

■ The 1995 Debate

By 1995, Medicare costs were growing at a rate that was generally considered to be unsustainable. Meanwhile, the aging of the population was creating the same financial pressures on Medicare as it was on Social Security. Although Congress had taken steps over the years to control Medicare spending and slow its rate of growth, new projections for the program, along with high budget deficits, led to calls for more comprehensive reform.

In response, the Republican congressional leadership introduced legislation to substantially restructure Medicare and reduce its cost by $270 billion over seven years — changing it from a wholly government-regulated program to one based more on market competition. Although Congress passed the Medicare restructuring plan, President Bill Clinton vetoed it and it never became law.

The following is excerpted from the November 1995 issue of *Congressional Digest*, "Medicare Reform."

Pro

Blue Cross and Blue Shield
Mary Neil Lehnard, Senior Vice President

From September 22, 1995, hearings before the Subcommittee on Health of the House Ways and Means Committee on proposed Medicare restructuring.

The Medicare program faces a troubled future. The combination of relentless increases in health care costs and the aging of the population make action to secure the future of the program imperative.

The [House Republican] Leadership's proposal moves in the right direction by building on the proven ability of private health plans in offering millions of Americans under the age of 65 a choice of innovative, high-value coverage options.

We strongly support the generation direction taken in the extensive outline of the leadership package. In general, we believe that the leadership has pursued a strategy that is simultaneously incremental and innovative.

It leaves in place the existing program as an alternative that will be available to all current and future beneficiaries.

It expands the private health plan options that are available to Medicare beneficiaries as a voluntary alternative to coverage under the traditional program.

It strives to harness the innovative energy of private enterprise to continuously improve both the quality and affordability of the coverage available to the Nation's seniors.

We believe that private health plans can offer Medicare beneficiaries a high-value option that may better meet the needs of many beneficiaries than the combination of traditional coverage with Medigap coverage. Private health plans offer consumers a more comprehensive set of benefits, lower out-of-pocket costs, and a lower premium than the combination of traditional coverage supplemented by a Medigap policy.

National Center for Policy Analysis

Peter J. Ferrara, Senior Fellow

From September 22, 1995, hearings before the Subcommittee on Health of the House Ways and Means Committee on proposed Medicare restructuring.

The Republicans have proposed a Medicare reform plan that actually offers the elderly a better system than Medicare, while still meeting the budget targets.

The essence of the plan is that it shifts power and control over Medicare and its funds away from the government, the hospitals, and the doctors, to the elderly themselves.

Overall, these changes will reduce the rate of growth of Medicare from about 10 percent a year to 6.4 percent. This lower growth rate will be sufficient to cover benefits because that is about the rate at which costs have been growing in private health plans.

This reduced growth rate means that Medicare would spend approximately $270 billion less over the next seven years than it would have otherwise.

The key to this plan is that it allows the elderly to take advantage of the incentives, competition, efficiencies, and innovation of the private sector. Because of these factors, many of the private plans will be able to provide even better benefits than Medicare, while still staying within the budget targets.

Con

U.S. Department of Labor

Honorable Robert Reich, Secretary

From September 22, 1995, hearings before the House Democratic Caucus on proposed Medicare restructuring.

I can tell you, as a member of the trustees of the agency charged with guarding the Medicare trust fund, $170 billion worth of cuts are not necessary to keep that trust fund solvent. We've actually made a great deal of progress in this Administration ensuring the solvency of that trust fund.

Yes, there is a long-term problem. When the baby boomers reach retirement, we do have to do something in the context of major health care reform. But what is being proposed now is not going to cure, or even marginally improve, the trust fund problem. What is being proposed is a major increase in premiums, a major cut in Medicare.

Americans are struggling out there. I see it every day. They need to understand, more than they've ever understood before, what is at stake here. We are witnessing, if we're not careful, one of the greatest redistributions of income from the working people of this country to the very rich and the corporations that we've ever witnessed in this country.

American College of Physicians

Gerald E. Thomson, M.D., President

From September 22, 1995, hearings before the House Committee on Ways and Means, on proposed Medicare restructuring.

This group of physicians — internists who provide more care for Medicare patients than any other physicians — are not on board with the proposed budget reductions in the public insurance programs. We think that cuts of this magnitude call into question our ability to provide the world-class medical care enjoyed by many, but not nearly all, Americans.

Further, these cuts move us away from, not toward, assuring health care for all Americans.

The College is concerned about an approach to Medicare restructuring that starts from a target number driven by the demands for a balanced budget and tax cuts and then tries to engineer changes to meet that target. We believe in the opposite approach. Start with changes that derive from health care system goals and then estimate the savings that would be produced. Well-conceived and carefully implemented reforms, designed to reduce excess capacity and utilization of services, promise savings based on a real reduction in costs rather than arbitrary budget cuts. In short, we have to change the growth curve in health care costs and forgo budget cuts that produce short-term savings but no lasting cost containment or reform.

Neither Medicare patients nor the health care delivery system can absorb the magnitude of cuts proposed, even with a large-scale transition of Medicare patients to managed care plans.

■ The 2003 Debate

In December 2003, President George W. Bush signed into law Administration-backed legislation encompassing the most sweeping structural changes to the Medicare system since its creation. Estimated to cost $400 billion over 10 years, the new law added a prescription drug benefit for Medicare's 40 million recipients but prohibited the Federal Government from negotiating discounts with drug companies. Although the bill's passage represented a significant victory for President Bush and the Republican congressional leadership, opponents predicted that it would be short-lived once the costs became clear.

The following is excerpted from the February 2004 issue of *Congressional Digest*, "The Ongoing Medicare Debate."

Pro

Honorable Bill Thomas
United States Representative, California, Republican

From the November 22, 2003, House floor debate on the conference report on H.R. 1, the Medicare Prescription Drug, Improvement, and Modernization Act.

Our friends say that we are trying to destroy Medicare; but if we are trying to destroy Medicare, why is the American Association of Retired People (AARP) supporting this proposal?

Fact: Current Medicare cannot sustain itself financially. Question: Why in the world would we then be adding a $400 billion expansion of benefits under Medicare? Answer: Today's medicine demands that we do so. Yesterday's medicine was hospitals and doctors. Hospitals and doctors still play a role, but prescription drugs play a central role. We simply would not be doing justice to our seniors if we did not try to add prescription drugs to Medicare.

If we add prescription drugs to Medicare, we need to be able to tell our taxpayers that we are also changing the funding structure of Medicare, as well.

It cannot sustain itself, and we are adding an enormous new benefit. It would be irresponsible of us to simply think all we need to do is add prescription drugs. What we need to do is add prescription drugs, modernize Medicare, and make sure that those people who pay taxes today in the hopes of having a program tomorrow will be able to have one.

This bill protects low-income seniors. No one wants to place a financial burden on those unable to pay. But it is overdue to ask those who are financially well off enough to share.

We are hearing things from our friends across the aisle about how horrendous the suggested financial burdens are. For example, in today's voluntary, optional Part B Medicare, the premium is 75 cents on the dollar paid for by the taxpayers, 25 cents on the dollar paid for by the beneficiaries. This legislation is so radical, so extreme, that what it does is it asks people who are making $100,000 a year in retirement to pay 50 cents on the dollar and have the taxpayers pay 50 cents on the dollar.

Ironically, that was the financial split when Part B Medicare began. All we are asking is for those who have the wherewithal to help share the financial burden. And where? There is an opportunity to provide a modest copay, one of the most significant factors in inhibiting overutilization. We ask those who are going to have a prescription drug, $2 on a generic prescription, $5 on a brand name. It will have a significant impact on utilization.

It will also show that we understand, we need to be sensitive to taxpayers. Today they foot the bill, but tomorrow they also want a program. This bill is really all about a fair deal. Modernize Medicare with prescription drugs, but put Medicare back on a sound financial basis, as well.

Honorable Michael N. Castle
United States Representative, Delaware, Republican

From the November 22, 2003, House floor debate on the conference report on H.R. 1, the Medicare Prescription Drug, Improvement, and Modernization Act.

This bill presents us with an historic opportunity of providing 40 million Medicare beneficiaries with relief in the face of rising prescription drug costs. Every Member of this body has identified health care reform as a top priority, and now we have the opportunity to make progress. The reality is clear — every year we postpone this debate and fail to compromise on a Medicare and prescription drug bill, while the burden of drug costs on seniors continues to increase.

In 1965, when the Medicare program first began, the average senior's spending for prescription drugs was $65 a year. In 2002, overall spending had risen to $2,149 — a 35-fold increase. The average retail prescription price increased more than three times the rate of inflation from 1998 to 2000. Over 60 percent of seniors spend more than $1,000 per year on prescription drugs, and of those seniors, 17 percent spend more than $5,000. And with 80 percent of retirees using a prescription drug every day, the expense for many is out of reach.

These statistics clearly show the transition of patients relying mostly on hospitals and physicians for their health care needs to patients relying more on prescription drugs as measures for health treatment and prevention.

The bill aims to make prescription drugs more affordable and more accessible by creating a voluntary prescription drug benefit. For the first time since the creation of the Medicare program, seniors, no matter where they live, will be able to receive financial assistance to help pay for these drugs, which are becoming increasingly integral to disease prevention, management, and treatment. Seniors can keep whatever drug coverage they have now, choose a private plan, or stay in the traditional Medicare program.

Con

Honorable Benjamin L. Cardin
United States Representative, Maryland, Democrat

The following is from the November 22, 2003, House floor debate on the conference report on H.R. 1, the Medicare Prescription Drug, Improvement, and Modernization Act.

A meaningful Medicare prescription drug benefit must be affordable, guaranteed, and available to all. It must contain an effective mechanism to lower the cost of medicines, and it must be built on a sound structure that can be improved upon in future years.

I have carefully considered the legislation that is before us today, and it fails each of these tests. This Congress has missed an opportunity to enact far-reaching, bipartisan legislation that would provide the help that millions of seniors need and deserve.

Some have criticized the Medicare program as outdated, inefficient, a dinosaur. These Members are ignoring Medicare's success in providing universal, comprehensive coverage. They are ignoring Medicare's low administrative costs — 3 percent — relative to private insurers at 15 to 20 percent. They are ignoring Medicare's ability to cover a population that has been shunned by private insurers for decades.

To be successful, a drug benefit must be within basic Medicare and based on a sound structure that can be improved over time. Only a benefit that is based on a solid foundation will give seniors the stability they need and deserve. Rather, this bill relies solely on the willingness of private insurance companies to offer the benefit.

Ask your constituents if they want a choice of more private plans. They do not. They want a choice of hospitals and doctors, and they want stability, reliability, and real help with paying their prescription drug costs.

This conference report lets them down. It offers seniors an inadequate benefit.

Honorable Stephanie Tubbs Ones
United States Representative, Ohio, Democrat

The following is from the November 22, 2003, House floor debate on the conference report on H.R. 1, the Medicare Prescription Drug, Improvement, and Modernization Act.

The Republican leadership has written a Medicare bill that bows to major drug companies and prevents Medicare from negotiating better prices. This agreement masquerades as an attempt to add a long-overdue prescription drug benefit, but this is really a Trojan horse designed to dismantle Medicare as we know it.

This agreement is flawed in countless ways. Its concentration on privatization is misguided at best and devastating. This is a special interest giveaway to the insurance companies with provisions, including a $12 billion slush fund, to bribe HMOs [health maintenance organizations] and PPOs [preferred provider organizations] to participate, all at the expense of the taxpayers and the elderly alike.

The agreement leaves a substantial number of the 6.4 million low-income Medicare beneficiaries who are also eligible for Medicaid worse off by requiring them to pay higher copayments for prescription drugs than they pay today. This bill squanders $5 billion needed for coverage on tax breaks for the wealthy, which in fact creates an unprecedented tax loophole that would undermine existing employer coverage and adds to the ever-growing number of uninsured.

A disproportionate share of African American Medicare recipients are disabled. The cut-off points chosen in this conference agreement will pigeonhole what is referred to as the "doughnut" on paying for the drug benefit. We are forcing our seniors to choose among purchasing food, prescription drugs, or paying for a roof over their heads.

This bill would manufacture a crisis when an arbitrary cap on general revenue funding is reached, which would trigger a fast-track process for consideration of legislation to radically cut Medicare, including benefit cuts, payment cuts for hospitals, nursing homes, home health providers, and increased cost-sharing. ■

Legislative Background on Medicare and the Budget
Recent Action in Congress

Although there is broad agreement in Congress that changes are needed to prevent the Medicare program from running out of money, the two parties disagree about how and when to tackle the problem.

Republican Budget Proposal. On April 15, by a vote of 235 to 193, the House passed H. Con. Res. 34, the Republican leadership's Fiscal Year 2012 budget resolution, introduced by Budget Committee Chair Paul Ryan (WI-R). The proposal envisions reducing the deficit by some $6 trillion more over the next decade than a budget released by the White House earlier in the year. It would make deep cuts in discretionary programs and transform Medicare, beginning in 2022, into a system in which seniors would receive a set sum every year to purchase private insurance — rather than having their care paid for directly by the government.

During floor debate, Members rejected, 166 to 259, an alternative offered by the Ranking Democrat on the Budget Committee, Representative Chris Van Hollen (MD-D), that would have continued Medicare in its current form while cutting the deficit by $1.2 trillion more than the President's plan. It also called for a freeze in "nonsecurity" discretionary funding for five years.

The House also voted down alternatives proposed by the Republican Study Committee, the Congressional Black Caucus, and the Congressional Progressive Caucus.

The President's Response. President Obama had proposed broad reforms that he said would save hundreds of billions of dollars over the next 12 years and more than $1 trillion in the following decade. The Administration's health care reform law also contains measures designed to rein in spending in health care generally and Medicare specifically.

In a fiscal policy speech on April 13, the President denounced the Ryan plan and called for the strengthening the authority of a 15-member advisory panel of outside experts, created under the health care law, to make recommendations for Medicare reform. Such changes would be automatic unless three-fifths of both the House and Senate blocked them and passed legislation that achieved equivalent savings.

Selected Internet Sites

- Centers for Medicare and Medicaid Services
  https://www.cms.gov
- Congressional Budget Office
  Health Care Projections
  http://www.cbo.gov/publications/collections/collections.cfm?collect=10
- Congressional Research Service
  Medicare Provisions in the Patient Protection and Affordable Care Act
  http://healthreform.kff.org/~/media/Files/KHS/docfinder/crsmedicareprovisions.pdf
- Think Progress
  Three Ways to Save Medicare
  http://thinkprogress.org/2011/04/30/three-ways-save-medicare
- The Heritage Foundation
  Transforming Medicare into a Modern Premium Support System
  http://www.kff.org/medicare/upload/7731-03.pd

Trustees Report. On May 13, the Boards of Trustees of the Federal Hospital Insurance and Federal Supplementary Medical Insurance Trust Funds released their annual report on the status of the Medicare trust fund. The report projects that the trust fund will run out of money by 2024, five years earlier than previously expected. It also shows that the magnitude of the shortfall will be reduced substantially by various provisions of the new health care law. The trustees concluded that additional steps are needed to ensure Medicare's long-term solvency and must be taken in the near future.

Outlook. Republicans in Congress are pushing for spending caps on Medicare and Medicaid as part of a bargain with the White House on raising the debt ceiling. Meanwhile, Vice President Joe Biden is heading a bipartisan panel formed to seek common ground on controlling government spending, and a bipartisan "gang of six" senators is working on their own deficit reduction plan based on the recommendations of the President's Commission Fiscal Responsibility, issued last December. ■

Threats to New Consumer Bureau

The new consumer watchdog agency, created last year under the Wall Street Reform and Consumer Protection Act, could be changed substantially if Congress passes legislation approved recently by the House Financial Services Committee.

The Consumer Financial Protection Bureau (CFPB) was charged under the Act with promoting financial education and enforcing Federal consumer protection laws, and was given rulemaking authority to prevent unfair, deceptive, and abusive financial practices and products. (See the June 2010 *Congressional Digest*, "Consumer Financial Protection.")

Special Advisor to the Secretary of the Treasury Elizabeth Warren is setting up the bureau, which is scheduled to be up and running by July 21, 2011.

The three bills approved by the House committee are as follows:

- H.R. 1121, introduced by Committee Chair Spencer Bachus (AL-R), to replace the CFPB director with a five-person commission.

- H.R. 1315, introduced by Representative Sean Duffy (WI-R), to allow the Financial Services Oversight Council to overturn, by a simple majority rather than a two-thirds vote, rules issued by the CFPB that would impact the safety and soundness of a financial institution.

- H.R. 1667, introduced by Representative Shelley Moore Capito (WV-R), to postpone the date for the transfer of functions to the bureau if it does not yet have a director in place.

In addition, 44 Republican senators recently signed a letter to President Obama expressing "concerns about the lack of accountability in the structure of the Consumer Financial Protection Bureau (CFPB)." The letter continued:

> As presently organized, far too much power will be vested in the CFPB director without any effective checks and balances. Accordingly, we will not support the consideration of any nominee, regardless of party affiliation, to be the CFPB director until the structure of the Consumer Financial Protection Bureau is reformed.

The letter concluded:

> We believe these are commonsense reforms that can be promptly adopted by Congress on a bipartisan basis without having to revisit the numerous other flaws with the underlying legislation. We look forward to working with you to adopt these consensus reforms.

Reacting to these actions, Elizabeth Warren said, "Many in Congress have made clear their intention to defund, delay and defang the consumer agency before it can help one family."

Ending Oil Insutry Tax Breaks

Legislation introduced by Senator Robert Menendez (NJ-D) targeting oil industry tax benefits is expected to come to the full Senate for a vote in the next week. The bill would repeal tax benefits for "major integrated oil companies" — that is, the five largest — thereby increasing Federal revenues by approximately $21 billion over 10 years.

Among other provisions, S. 940, the Close Big Oil Tax Loopholes Act, would prevent the largest oil companies from claiming a domestic manufacturing deduction that has been available since 2005.

In a letter to Senate Republicans, Senator Menendez and Majority Leader Harry Reid (NV-D) urged them to get on board as cosponsors of the bill, stating:

> If we are to truly address our national debt, we will all have to tighten our belts and make sacrifices — even the most wealthy and powerful among us … . The Big 5 oil companies have made nearly $1 trillion in profits in the last decade — and more than $30 billion of that in the first three months of this year alone. At the same time, many Americans are struggling to make ends meet, find a job, or fill their gas tanks with $4 per gallon gasoline. We simply cannot solve our budget problems by asking working-class families to shoulder the burden alone.

Testifying before the Senate Finance Committee on May 12, however, the oil company executives defended their position. "Changing important tax provisions outside the context of broader corporate tax reform would achieve one unmistakable outcome," said Chevron CEO John Watson. "It would restrain domestic development and reduce tax revenues at a time when they are most needed." ■

Should the House Pass

Honorable Paul Ryan

United States Representative, Wisconsin, Republican

Representative Ryan, of the First District of Wisconsin, was first elected to the U.S. House of Representatives in 1998. He served as an aide to U.S. Senator Bob Kasten (WI-R) in 1992, as an advisor and speechwriter for Empower America from 1993 to 1995, and as Legislative Director for Senator Sam Brownback (KS-R) from 1995 to 1997. He chairs the Budget Committee and is a member of the Ways and Means Committee. The following is from the April 14–15, 2011, House floor debate on H. Con. Res. 34, establishing the budget for the U.S. Government for Fiscal Year (FY) 2012 and setting forth appropriate budgetary levels for FY 2013 through 2021.

"The problem here today is not that people don't pay enough taxes; the problem is Washington borrows and spends too much money."

Let me just begin by saying this: The spending spree is over. We cannot keep spending money we don't have.

The American people deserve the truth. They deserve an honest, fact-based conversation about this budget. We have got to get on to the days of no more budget gimmicks, timing shifts, accounting tricks. And we've got to get on to fixing our country's fiscal problems while we still can and while they're still within our control.

Specifically, what our budget does is it cuts $6.2 trillion in spending from the President's budget. It brings the government's spending as a share of our economy back down to where it historically has been, contrary to where the President is taking it.

We do not have a revenue problem in Washington. The problem here today is not that people don't pay enough taxes; the problem is Washington borrows and spends too much money.

I am 41 years old. My wife and I have three beautiful kids who are six, seven, and nine years old. By the time our children are my age, the government will be twice the size it is today. When they're my age, double the government, double the taxes just to keep this current government afloat.

What we are really trying to do is fulfill the legacy that we have been given by our parents and by our predecessors in Congress. We're going to have a vigorous debate about how to do this. We're going to have a vigorous debate of our priorities and processes, and it's going to be emotional.

We know, according to every fiscal expert out there, that we are giving the next generation a mountain of debt. So we have a choice of two futures. Which future do you want your children to have? One, where the debt gets so large, it crushes the economy and it gives them a diminished future, a stagnant economy; or, two, this budget, using CBO [Congressional Budget Office] numbers, that literally not only gets us on the way to balancing the budget but pays off our debt, gets our debt manageable, preempts and prevents a debt crisis, and fixes this so we can preserve this great legacy of giving the next generation a higher standard of living?

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the "Ryan Budget Plan"?

Pro & Con®

Honorable Chris Van Hollen

United States Representative, Maryland, Democrat

Representative Van Hollen, of the Eighth District of Maryland, was first elected to the U.S. House of Representatives in 2002. He served in the Maryland House of Delegates from 1990 to 1994 and in the Maryland Senate from 1994 to 2002. He is the Ranking Member of the Budget Committee. The following is from the April 14, 2011, House floor debate on H. Con. Res. 34, establishing the budget for the U.S. Government for Fiscal Year (FY) 2012 and setting forth appropriate budgetary levels for FY 2013 through 2021.

Everyone in this Chamber loves America, and everybody in this Chamber wants to preserve the dynamism of this country and American exceptionalism. We also all agree that we have to reduce our deficits in a steady and predictable way. The question is how we do that, and we have very different views of how we should do that.

Later this evening and tomorrow, we will debate a Democratic alternative budget which will strengthen our economy, promote job growth, and decrease the deficit in a steady, predictable, and responsible way, but the Republican budget is the wrong choice for America.

I urge every American to read this budget, because if you do, no amount of spin can hide the fact that this is a wrong turn for America. It is a yellow brick road for the already prosperous, but it's a dead end for the rest.

Just today, we had an analysis come out from the former economic adviser to [Senator] John McCain [AZ-R] when he was running for President — Mark Zandi, the chief economist at Moody's Analytics — who said that the Republican plan will cost Americans 1.7 million jobs by the year 2014, with 900,000 jobs lost next year. And the Republican budget violates the warning from the bipartisan commission that we need to do the cuts and the deficit reduction in a responsible way.

". . . this is a wrong turn for America. It is a yellow brick road for the already prosperous, but it's a dead end for the rest."

The cochairs of the President's fiscal commission stated that the Republican budget "falls short of the balanced, comprehensive approach that we need for a responsible plan." They are absolutely right. It is not balanced; it is a totally one-sided approach to deficit reduction. Because when you sweep away all the soothing, sweet-sounding talk of reform, at its core this Republican budget is not bold. In fact, it's the same old formula of increasing tax breaks to the very wealthy in this country and to the special interests, like Big Oil, at the expense of the good of the rest of the country, except this time it's the same old plan on steroids.

We all know that to govern is to choose, and the choices made in the Republican budget are wrong for America. It is not bold to give tax giveaways to the oil companies and executive board rooms while slashing investments in our kids' classrooms, in scientific research, and in critical infrastructure for this country.

It is not courageous to provide additional tax breaks for millionaires while ending the Medicare guarantee for seniors and sticking seniors with the cost of the rising health

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Ryan,

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We had a speech yesterday from the President — not a plan, so to speak, but a speech. And unfortunately, I think the speech, which was a framework with no details, was really not about solutions but about partisanship.

I'm concerned that leaders here in town are more concerned about the next election than the next generation. I hope that that's not the case. I hope that leaders in this town change their tune so we can fix this problem. We don't need good politicians; we don't need clever politics.

I want to talk about one particular program, Medicare. Medicare is one of the most important programs we have; it's one of the most successful programs we have. Medicare is in trouble. Medicare is going broke. CBO tells us that in nine years it has exhausted its trust fund. We need to save Medicare. This budget doesn't change anything for anybody on Medicare now, and within 10 years of retiring, and it saves the system for the next generation.

Contrary to what the President proposed yesterday, he wants to delegate more authority to 15 people on a bureaucracy that was created in his new health care law to do price controlling and rationing of Medicare for current seniors. He wants these 15 people — without a consent of Congress, just to do it directly — to impose more price controls and more limitations on providers, which will end up cutting services to current seniors.

We repeal this agency. We don't think Congress should be delegating this kind of power and authority to unelected people to make unilateral decisions on senior health care. So we preserve, protect, and save Medicare for current seniors and those 10 years away from retiring, and then I'll get into the details about how we save it for future generations.

It's not a voucher program. In a voucher program, the money goes to the people, and then they go to the market. It's a premium support program.

What does this look like?

It looks just like the plan that you and I have as Members of Congress and that all Federal employees have. It works like the prescription drug benefit, which has come in 40 percent below cost. More to the point, it saves Medicare. It applies to people 54 and below, and it occurs in 2022. Guess what happens two years before that under the status quo? Medicare goes bankrupt.

"We want to prevent Medicare from going bankrupt. We want a system that's sustainable."

We want to prevent Medicare from going bankrupt. We want a system that's sustainable. We want a system that's solvent and that people can rely upon: guaranteed coverage options just like we have in Congress. That's what we are proposing.

A prescription drug benefit, a bunch of plans that compete against each other for the seniors' business, came in 41 percent below cost projections. Why? Because it's not a government-run program. It's not a bunch of bureaucrats.

What is the President proposing? What are the Democrats proposing? Here's what they have proposed for current seniors. The President just gave us a glimpse of it two days ago. He wants to take this board of 15 people he appoints on this rationing board, and they make the decisions. They price-control Medicare. They ration Medicare, $480 billion, almost $10,000 per senior on current seniors.

We are saying, don't do this to seniors, get rid of the rationing board and don't delegate Medicare decisionmaking to 15 people appointed by the President with no congressional oversight. Let the 40 million seniors in Medicare be in charge of their Medicare program. More importantly, we save Medicare, prevent its bankruptcy.

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Van Hollen,

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care. It is not visionary to reward corporations that ship American jobs instead of products overseas while we terminate health care for tens of millions of Americans here at home. It is not brave to give governors a blank check of Federal taxpayer money and a license to cut support for seniors and nursing homes, individuals with disabilities, and low-income kids on Medicaid.

And it's not fair to give yet another tax break to the very wealthy and ask middle-income Americans to pay for it. Yet, if you read the Republican budget, those are the choices they make.

We ask, where is the shared sacrifice? We have American men and women putting their lives on the line as we speak in Iraq and Afghanistan, while others hide their income in the Cayman Islands and Switzerland and refuse to pay their fair share to support our Nation. That is not right.

The pattern is clear: First you cut taxes for special interests and the very wealthy, and then mathematically what happens?

When you do that, the deficits go up. You drive up the deficit, and then you say, well, we've got to handle this — not by going back and asking the folks at the very top to do more, but by cutting investments for working families and violating our commitments to seniors and others.

Let me turn to the Republican plan for Medicare because what the Republican plan does is it ends the Medicare guarantee. It forces seniors to go into the private insurance market and have to deal with the rising costs of health care that they face there, and the seniors have to eat that cost.

Compared to current Medicare, senior citizens are going to have to pay more than $6,000 on top of what they would have had to pay in the year 2022. And the problem gets worse and worse over time, so that by the time you're out in the year 2030, you're talking about in the range of $11,000 more paid by seniors.

Now, let me say this. One of the talking points we've heard from our colleagues on the other side of the aisle is, don't worry, seniors, we're just giving you the same health care deal Members of Congress have.

That's not true. What Members of Congress have is what's called a fair share deal agreement, just as other Federal employees do and as many employees around the country do, where the risk of rising premiums is shared.

So for every dollar increase in premiums, the Federal Government puts in 72 cents, thereabouts, and the Member of Congress or the Federal employee puts in the rest. But the point is, no matter how fast the costs go up, you share that risk equally. That's not what happens in the Republican plan.

There's much more to talk about, but let me just say that we welcome this debate. Fundamentally, this is a debate about choices for our country, and as the bipartisan fiscal commission said, the choice made in the Republican budget is not balanced and it is not comprehensive. We agree, and we should reject this budget.

The chairman [of the Budget Committee, Representative Paul Ryan (WI-R)] mentioned the IPAB [Independent Payment Advisory Board], and it is tue that the President indicated yesterday that that is a mechanism for trying to reduce the rise in Medicare costs.

The chairman said they repeal the IPAB, which we believe will result in higher Medicare costs, which will mean that seniors have to absorb an even greater amount of the increase.

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". . . the Republican plan forces seniors to go into the private insurance market and have to deal with the rising costs of health care that they face there . . ."

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What does the other side do? They sit by and watch the program go bankrupt.

I have here the *Federal Employee Benefit Handbook* that everybody in Congress, every Federal employee has. Nowhere in this book does it say "voucher." Look at all of these plans we get to choose from: Kaiser, Aetna, Humana, Blue Cross/Blue Shield, Coventry — pages and pages of choices and options. This is what we're talking about for people 54 and below.

"Should we have 15 unelected bureaucrats run Medicare, ration Medicare, or should we allow 40 million to 50 million seniors make the decision?"

Is this exactly like the Federal employee health plan? No, it is not. It is the same kind of plan because what we say is in the future, people who are wealthy don't need as much of a subsidy. People who are sick need more, people who are low-income need more, and they get complete out-of-pocket coverage. More for the sick, more for the poor, less for the wealthy, and a solvent Medicare system.

But more importantly, the people choose. Medicare beneficiaries choose. What's the President's plan? What's the Democrats' plan? Appoint 15 people to do the choosing. It is a different philosophy. Should we have 15 unelected bureaucrats run Medicare, ration Medicare, or should we allow 40 million to 50 million seniors make the decision?

Let's talk about taxes. Look at all of these budgets we've been looking at today. By the way, our budget doesn't even cut taxes. I wish I could say it does. Revenues still rise, about $12 trillion under this budget. We just don't want to go up and up and up.

The budget we have here is a $2 trillion tax increase; the Progressive plan, a $16 trillion tax increase; the Congressional Black Caucus [CBC] budget, a $6 trillion tax increase.

This budget cuts defense $619 billion; the Progressive [Caucus] budget, $1.2 trillion; the CBC budget cuts defense $469 billion.

The CBC budget increases spending on domestic spending $4.1 trillion. The Progressive Caucus increases domestic spending $11.4 trillion. The Democratic budget increases, relative to the mark, $4.6 trillion.

So we've got it. We know where they are. More spending. More spending on everything, but cut and gut defense, and raise taxes a lot.

Representative Sean Duffy

United States Representative, Wisconsin, Republican

Representative Duffy, of the Seventh District of Wisconsin, was first elected to the U.S. House of Representatives in 2010. He served as Ashland County, Wisconsin, District Attorney from 2002 to 2010. He sits on the Financial Services Committee and the Joint Economic Committee. The following is from the April 14, 2011, House floor debate on H. Con. Res. 34, establishing the budget for the U.S. Government for Fiscal Year (FY) 2012 and setting forth appropriate budgetary levels for FY 2013 through 2021.

On the day that the President took office, we were projected, over the course of 10 years, to borrow $1.8 trillion, from the CBO, and today we are projected to borrow $9.4 trillion. We have inherited now a fiscal mess.

Let's review where we're at. This country owes $14 trillion. This year, we are going to borrow $1.6 trillion. Last year, we borrowed over $1 trillion. The year, before that we

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The gentleman from Texas [Representative Kevin Brady (R) mentioned the fact that as part of the Affordable Care Act last year we made some reforms in Medicare. Yes, we did. We got rid of the overpayments to the private plans, the Medicare Advantage plans. Why did we do that? Because they were costing the taxpayer 114 percent of the fee-for-service, which is why this notion, frankly, that by saying to seniors you can't stay in Medicare now, you've got to go into the private insurance market, has been disproven by our experience most recently.

So we said we're not going to overpay them. And you know what? We used some of those savings to close the prescription drug doughnut hole that seniors fall in. We used some of those savings.

Now, it's important to understand that the Republican budget, even though there was a lot of demagoguery about that, you kept those savings, but what you didn't do is continue to close the doughnut hole. Immediately upon passage of the Republican budget, that doughnut hole will stop closing for seniors.

I want to pick up on a point [Representative John[Garamendi [CA-D] made about Medicaid because the great majority of funds for Medicaid go to seniors and individuals with disabilities. Make no mistake, this happens immediately. We're not talking about 10 years from now, eight years from now. This happens right away.

Now, Medicaid is a program where actually the costs of care have grown much slower than the rest of the health care market, including the private market, and yet it is a program that is stretched very thin. You take $700 billion-plus out of that system, you are going to be putting people at serious risk, already overstretched programs. So what choice did you make? Well, this is what choice you made with respect to Medicaid.

You cut about $771 billion. Guess what? You returned to the tax rates that were in effect on the top 2 percent income earners during the Clinton Administration; over 10 years, $800 billion. Those are the choices you're making. Put all of these individuals at risk — seniors in nursing homes, assisted living facilities, poor kids — so that you can provide that tax break.

I've heard it said on the floor that, oh, boy, if we do that, if we go back to the Clinton-era tax rates, that's going to really hurt the economy. That's going to hurt jobs.

Here's the Clinton-era tax rate: 20 million jobs were created during that period of time. Here's the current tax rate, end of the Bush Administration: 653,000 jobs lost.

The history tells the story. The reason is because there are lots of factors that go into decisions by businesses how to invest. And while, obviously, tax rates are a part of it, they are not the major driver in the economy. I've heard it said that this is going to hurt small businesses. I hope one thing that we can agree on is that small businesses are the engine of our economy. They're what make this economy go.

And so we always hear from our Republican colleagues, well, you go back to the Clinton era rates for the top, you're going to hurt small businesses. Well, I hope everybody will look at the Joint Committee on Taxation. What they say is that there are only 3 percent of small businesses who fall into that higher-income category, because we're talking about taxable income. Only 3 percent of small businesses fall into those rates.

Now, we hear from our Republican colleagues, oh, that's true it's only 3 percent, but it's 50 percent. Well, here. Fifty percent of the income comes from those 3 percent. Why do you think that is? Well, look at the same Joint Committee on Taxation report. Many such businesses are hardly "small."

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"Those are the choices you're making. Put all of these individuals at risk — seniors in nursing homes, assisted living facilities, poor kids — so that you can provide that tax break. "

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borrowed over $1 trillion. Let's look out 10 years. For the next 10 years, on average, we're going to borrow $1 trillion every single year. This is unsustainable. We cannot continue on this course.

I wasn't a big fan of President Bush's spending, but his biggest year of deficit spending was $460 billion. That pales in comparison to the $1.6 trillion we're going to borrow today. We have a sea of red, a sea of debt that we are going to leave off to the next generation. This is unconscionable.

What does this mean for future generations? This means higher interest rates. This means massive tax increases. This means a lower standard of living for our next generation. And I guess I will present to this House, if you were to ask your grandma and grandpa what they thought about leaving this off to our next generation, they would be outraged. They would be furious that this is their legacy, that this is what their grandchildren are going to inherit. We need to fix the problem.

Let's talk about the budget proposal that has been made.

Congressman Paul Ryan and the Budget Committee propose reducing spending by $6.2 trillion over the course of 10 years. Yes, they also talk about tax reform, a fair, flatter tax code. And you know what? We have to realize this isn't 1980. We are in a global marketplace. We compete against China and India, Mexico, Vietnam.

And you know what? This isn't just against Kansas and Kentucky. We have to engage. We have to have an environment where our businesses can compete, succeed, and win. And when they do, who benefits? The people that benefit are our families because they have jobs, they have opportunity. But if we build walls around this country with more mandates and more regulation and more taxes, we are going to see more businesses go overseas and fewer jobs for our families. And as we've been talking about tonight, we will have less revenue in the Federal Reserve.

I've heard a lot this evening about Medicare and a lot of demagoguery across the aisle about what it's going to do. Let's be clear with the American people. Let's be honest with the American people that if we don't reform Medicare, the CBO says it's going broke in nine years. We have to fix it. We have to fix it to make sure we can preserve it for our current seniors. So let's not sit here and scare people and tell our seniors we're taking away their Medicare. We are not. We are working on solutions that are going to preserve it.

"Let's be honest with the American people that if we don't reform Medicare, the CBO says it's going broke in nine years."

And so when we talk about reform, to be clear, we're not talking about reform for our current seniors or even those who are about to retire. The reforms we are talking about are for my generation. And what's beautiful about this is if we reform Social Security, we get to guarantee the benefits for our current seniors, but then you allow me to plan for the benefits I'm going to have when I retire. And if we do it, we can succeed in this reform.

We've heard a lot about taxes, as well. And so we all know here that the top tax rate, 35 percent, and a family who makes $350,000 a year falls into that tax category. And so I would suggest to my friends on the left, why don't we do this? Let's bump that tax rate up — not to 35 percent, maybe 50 percent. No, let's go 100 percent. Let's take every dollar of a family that makes $350,000 a year or more, let's take every single dollar from them. And if we do that, we still can't balance the budget.

So let's go to the next level. Let's go to the next highest rung of income earners, those who make $200,000 or more as a family. A mom makes $100,000; a dad makes $100,000. We would all agree they're wealthy. Let's take 100 percent of every dollar they make, as well.

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In 2005, over 12,000 S corporations and over 6,000 partnerships grossed more than $50 million. There's your mom-and-pop store. There's your mom-and-pop store working hard as a small business trying to make ends meet. Those are what Republicans are calling small businesses.

The Medicaid program is one where the costs of health care have actually grown more slowly compared to the growth in health care elsewhere. Cutting $1.4 trillion out of an already stretched program is not a recipe for helping more people. It will definitely hurt those who depend on Medicaid. You are just giving governors a blank check with no accountability.

I just want to go back to the point that was raised again with respoect to what Members of Congress have in terms of health insurance plans. We have what's called a "premium support plan." The idea behind a premium support plan is that the employer and employee share the premium, and the employer — in this case, the U.S. Government — pays a certain percent. I have right here the *Federal Employees Health Benefits Program* handbook, and it reads: "The government's share of premiums paid is set by law."

So Members of Congress have protected themselves by law. For most employees, the government contribution equals the lesser of 72 percent of the total premium for the particular plan. In other words the Member of Congress/Federal employee has 72 cents for every premium dollar paid for. Whenever premiums go up, 72 percent of the cost of that premium is picked up by the government.

The Republican plan gives seniors a raw deal. It does not give seniors the deal that Members of Congress give to themselves, and that should be put to rest right now.

"The Republican plan gives seniors a raw deal. It does not give seniors the deal that Members of Congress give to themselves . . ."

Honorable John Garamendi

United States Representative, California, Democrat

Representative Garamendi, of the Tenth District of California, was first elected to the U.S. House of Representatives in 2008. He served in the California Assembly from 1974 to 1976, in the California Senate from 1976 to 1990, as California Insurance Commissioner from 1991 to 1995 and again from 2003 to 2007, as U.S. Deputy Secretary of the Interior from 1995 to 1998, and as Lieutenant Governor of California from 2007 to 2009. He sits on the Armed Services Committee and the Natural Resources Committee. The following is from the April 14, 2011, House floor debate on H. Con. Res. 34, establishing the budget for the U.S. Government for Fiscal Year (FY) 2012 and setting forth appropriate budgetary levels for FY 2013 through 2021.

For eight years, I was the insurance commissioner in California. And for eight years I battled the health insurance industry. What we heard on the floor was that 2011, what will we remember? What it will be remembered for is the death of Medicare, the demise, the death of Medicare. The most successful insurance program, the most successful health insurance program in this Nation.

It works. It is efficient. It is effective. It is a nationwide standard policy available to every American 65 years of age and older and some of those who are younger.

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Honorable Kevin Brady

United States Representative, Texas, Republican

Representative Brady, of the Eighth District of Texas, was first elected to the U.S. House of Representatives in 1996. He served in the Texas House of Representatives from 1990 to 2006. He sits on the Ways and Means Committee and is the Ranking House Republican on the Joint Economic Committee. The following is from the April 14, 2011, House floor debate on H. Con. Res. 34, establishing the budget for the U.S. Government for Fiscal Year (FY) 2012 and setting forth appropriate budgetary levels for FY 2013 through 2021.

"The Ryan budget helps spur job creation in America today. It stops spending money the government doesn't have. It lifts the crushing burden of debt."

This country is starved for truth-tellers, people in Congress who will just tell them what the problems are that this country faces, give them options, and help them make the right choice, people who are strong enough to lead and bold enough to lead at a time when the country needs leadership.

When it comes to the budget, when it comes to the economy where the President has failed, House Republicans will lead.

The Ryan budget helps spur job creation in America today. It stops spending money the government doesn't have. It lifts the crushing burden of debt. This plan puts the budget on the path to balance in paying down the debt over the long term, and it puts the economy on the path to prosperity.

Let's talk about the economy. It is the number one concern of most people, and the debt and deficit have a lot to do with it.

We are undergoing one of the worst recoveries we've seen in a long time. It is two to three times slower than the Reagan recovery, and there is reason for that. We were told by the President and congressional Democrats that if we just spent money, spend it in the stimulus and spend it in increased deficits, that the economy would recover. And they were wrong.

After spending hundreds of billions of dollars on the stimulus, we have 2 million fewer jobs in America today than when the stimulus began. We have fewer jobs today than when all that spending took off.

We were told if Congress passed all the stimulus bills that our unemployment rate today would be 6.8 percent. It's 8.8 percent. And it's only that low because so many people have given up simply looking for work anymore. They've lost hope. And then finally, for those who say we just spend more to create this economy, they were off, their predictions, by 7 million American jobs.

It's time to stop listening to the economists who got it wrong and start listening to economists who got it right.

Let's take a look at what spending has done to our economy in America. Here is a chart. It looks back on the last 40 years in America, and it tracks Federal Government spending against job creation along Main Street, not government jobs but jobs in the private sector, the small-, medium-, and large-sized businesses that our economy depends upon.

Over each of these four decades, not only is there no correlation between Federal spending and jobs along Main Street, but it's a negative correlation in each of the four decades. As government spending goes up, jobs along Main Street go down.

We also went back the last four decades in America and asked about private business investment. What happens when companies large and small buy new equipment, buy

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I heard the author of this bill a moment ago saying competition would make it better. In fact, it does not.

The private health insurance industry is inefficient. It is ineffective, it is discriminatory, and it clearly, clearly harms customers. There is a profit motive that has to be paid for. There are compensations for the sale and compensations for those who sell the insurance. All of that adds up.

It is also extremely inefficient in that there are multiple policies, multiple people that have to be paid, insurance companies that have to be paid, different deductions, different copays. All of that is out there.

My Republican colleagues have done everything they can to repeal the Affordable Health Care Act, which had insurance reform in it. Without the insurance reform, which clearly they want to do away with, you are throwing senior citizens to the sharks, to health insurance.

I urge us not to do that.

We've heard a lot of discussion here this evening about what economic policy works, where do the deficits come from. Let's just figure it out.

Beginning with Ronald Reagan. After every year, at the end of the year, the Congressional Budget Office, nonpartisan, makes a projection of what's going to happen in the next 10 years. At the end of Ronald Reagan's period, they did their projection, and they said, voila, a $1.4 trillion deficit in the years ahead. Followed by George Bush the senior. At the end of his four years, they did another estimate: What's going to happen in the next 10 years? Well, let's see. That says a $3.3 trillion deficit. How about that?

We were just talking about some economic policy here a minute ago. Well, let's talk about the Clinton period. At the end of the Clinton period, eight years, another projection was made by the Congressional Budget Office: What's going to happen in the next 10 years? A $5.6 trillion surplus, enough to pay off all of the American debt.

How did it happen? How did it happen?

It happened this way: Early in his administration, they set about to deal with the deficit. There was a tax increase. It cost my Democratic colleagues the House. But they did it. They put it in place. And they also put in place PAYGO [financing expenditures withavailable funds] and the balanced budget amendment. What happened in those eight years was the largest job growth in America's history except the 1950–1960 period. It was enormous job growth. More than 20 million jobs were created and extraordinary revenue growth.

"The private health insurance industry is inefficient. It is ineffective, it is discriminatory and it clearly, clearly harms customers."

So much for the argument we just heard.

In fact, a combination of holding tight on the budget together with a tax increase worked. I was part of that administration, and we were told to reinvent government. We did. At the Department of the Interior, we reduced the number of employees from 90,000 to 75,000, and we maintained and actually increased the efficiency and the effectiveness of that Department. It can and it was done.

However, let's take a look at George W. Bush, the most recent Bush presidency. At the end of his presidency, the Congressional Budget Office did their estimate, and they came up with an $11.5 trillion deficit in the years ahead.

How did it happen? It happened this way: He cut taxes year one, 2001, cut taxes. Year two, 2002, cut taxes. Two wars unpaid for, borrowed money from China, and then backed away from all regulation of Wall Street, and the great crash. The result: An $11.5

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new software, buy new buildings, and invest back in the economy? It's a very close correlation.

In fact, there is no substitute in America for private investment in the economy — no substitute, no rebates, no stimulus, no shovel-ready projects. Nothing is a substitute for creating jobs like getting businesses to invest back in their workforces, in their workplaces, and in the economy.

Recently, I had the Joint Economic Committee take a look at the economic studies over the last 40 years of our competitors around the world, competitor countries that got themselves into debt trouble but that worked their way out of it. You would be interested in the results of this study, and there are three key points to it.

One is that the countries that were most successful in getting their debt down, in getting hold of their financial paths, didn't do it by raising taxes. That didn't succeed. They did it by reducing spending. That's how they best and most successfully got hold of their debt. There were 21 times that 10 different of our global competitor countries got a handle on their debt successfully by reducing spending.

The second takeaway from this study, called *Spend Less, Owe Less, Grow the Economy*, was that countries that got hold of their debt the right way also grew the economy as well.

Economists agree that the countries that get their financial houses in order grow their economies over the long term. What this study shows is that, with our competitors, if you get a handle on your spending the right way, you grow your economy in the short term, as well.

Here is Canada. Neighboring Canada got themselves in financial trouble. Their economy was growing at a paltry pace, less than 1 percent a year. They lowered their debt as a nation by about 12 percentage points, and their economy took off. For almost 16 years, they've averaged economic growth of almost 3 1/2 percent.

Sweden, another developed country with an economy like ours, actually had an economy that was shrinking. It was actually contracting. They got hold of their financial house and put that in order, as well, reducing their debt by more than 11 percentage points. Their economy took off, growing 3½ percent a year, on average, for almost a decade. New Zealand did the same.

"In fact, there is no substitute in America for private investment in the economy — no substitute, no rebates, no stimulus, no shovel-ready projects."

You may say, look, we're not Canada, we're not New Zealand, we're not Sweden. Yet 26 times, nine of our competitor countries around the world that lowered their debt by reducing spending grew their economies strongly, not just in the long term but in the short term. They didn't grow them a little. Those countries rocketed to the top quarter of economic growth in the world. Countries that reduce their spending and do it the right way grow their economies.

Here is a third and another, again, telling point about this, which is that not all spending cuts are the same. When it comes time to grow the economy, not all spending cuts are the same.

What these economists showed is that the nations that grew their economies the most successfully undertook cuts that were large, credible, and difficult to reverse. So they made cuts in savings that mattered, and the cuts in savings that grew their economies made sense.

They shrank their Federal workforces. They right-sized them to what they could afford. They eliminated duplicate programs, obsolete programs — as a business would — programs that waste money. They reduced subsidies to corporations which were inter-

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trillion deficit. The day Barack Obama came into office, he was handed a $1.3 trillion bill due. That's what the Republican President gave to this Nation and to this Congress. So we've set about solving it.

Now I want to move to this debate about Medicare. You're not going to solve the Medicare problem, which is one of ever-increasing costs in the underlying health sector of America. When I first got into this in 1991 as insurance commissioner, 9 percent of the American economy was in medical services. This year, it's approaching 18 percent. You cannot solve this problem by throwing senior citizens off Medicare. It does not solve it.

Do not throw the seniors to the wolves. The wolves are the insurance companies. I know. I was the insurance commissioner for eight years, and I fought those characters every year I was in office. I know what they will do to seniors. They will rip them off, they will deny benefits, they will deny coverage, and they will not control cost.

"If you are 55 years of age and younger, you will not have Medicare if the Republican budget becomes law. It is over. It is terminated."

In California this year, insurance companies are raising costs by 20 to 40 percent. Medicare went up 6 percent. Medicare is efficient. Medicare is efficient. It is a nationwide policy. You can get it anywhere in this Nation. There is no administrative cost that even comes close to what the insurance companies' administrative costs are, perhaps 30 percent of the premium. Profit, sales, expenses, all of those things added up, and that includes the chaos at the delivery, the medical delivery. We need to change that.

You want to deal with something more? Take a look at this. This is Medicaid. The Republican budget intends to cut Medicaid by three-quarters of $1 trillion in the next decade. Who gets Medicaid? Senior citizens and the disabled. The aged, blind, and disabled get Medicaid. And this is immediate.

Seniors will be — not 10 years from now, but immediately, as those budget reductions take place, according to the Republicans — thrown out of nursing homes.

I just finished a conversation not more than two hours ago with the owner of nursing homes in California. He said, don't let them do it. We're just hanging on. Any further reductions, any reductions in the Republican bill will force us to send out of our nursing homes the Medi-Cal, which are people covered by Medicaid.

Who are these children? These are the children in poverty. The children in poverty get medical services from Medicaid, and Medi-Cal in California, 20 percent. Are those the people you want to throw out in the street? You will do it.

In 10 years Medicare will no longer exist as it is today, a guaranteed benefit available to every American who turns 65. It will be over. Instead, you will be given a voucher, a voucher that will be insufficient to pay for your health insurance, and there is no guarantee what that health insurance will be.

Let me speak also to those who are on Medicare today. The Republican budget over the next 10 years removes three-quarters of a trillion dollars, $771 billion, from Medicaid. Medicaid provides services to the aged, blind, and disabled. Those senior citizens that are in nursing homes stand the risk of being thrown out of the nursing homes.

I want to now speak to those who want to become 65, who want to live long enough to get into Medicare. If you are 55 years of age and younger, you will not have Medicare if the Republican budget becomes law. It is over. It is terminated. It is gone. Instead, you will be given a voucher to go talk to the insurance companies. And what will you talk about? You will talk about pain, pain, pain.

They say that there is no tax shift in this. In fact, there is a $6,000 tax equivalent to every person 55 and younger.

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fering in the free marketplace. Finally, they tackled their entitlement reforms in health care and in pensions.

What is interesting is that, even if the reforms they made in their entitlements didn't affect their current beneficiaries and even if they phased those reforms in over time, the reforms sent the right signals to the marketplace.

"Maybe it is time for shared sacrifice, and it can start with the big, fat, bloated Federal Government."

Then what happened in each of these countries is that businesses, in no longer facing higher taxes because of all that spending, felt comfortable getting to reinvest back into their workforces, back into their countries' economies. Households like ours, in no longer facing higher taxes to pay for all these spending sprees, felt more comfortable buying larger ticket items, like cars and houses.

As we know, when businesses invest, jobs along Main Street grow. It has been made clear time and time and time again, like businesses, countries that can get hold of their debt, that can do it the right way and that can put themselves on financially sound paths grow. America's economy can grow as well.

The budget resolution presented tonight by Chairman Paul Ryan meets the test that spending reductions must be large, credible, and difficult to reverse once made to boost our economy:

The Ryan budget attacks the medical entitlements that are driving Federal spending higher. It attacks corporate welfare by phasing out government guaranties to Fannie Mae and Freddie Mac. It eliminates subsidies for green energy, and it reduces agriculture subsidies by $30 billion over the next decade. The Ryan budget rolls back non-security discretionary spending to its 2008 levels and then freezes it for five years.

It adopts a number of the recommendations from the President's own fiscal commission to eliminate waste and to achieve real savings in our budget. It eliminates agencies and programs identified by our own government as wasteful and duplicative. That alone will save over $100 billion in the next decade.

It reduces the Federal workforce. It right-sizes the Federal workforce by 10 percent over the next five years by attrition, simply by hiring only one new Federal employee for every three employees who leave or retire. Together, that saves almost $400 billion.

The Ryan budget envisions a pro-growth tax reform that lowers the top income tax rate for both individuals and companies to 25 percent and makes us competitive again in this world.

The Ryan budget is a fiscally responsible plan that accelerates economic growth and job creation. It is a game-changer for this Nation and tells the truth about our challenges, and addresses them with ideas and proven solutions that move us forward.

I would remind the listeners that it was Democrats who fought the prescription drug program for our seniors, who last year slashed a half-trillion dollars from our seniors programs, which will hurt our local hospitals, our nursing homes, our hospice programs. They're going to drive 7 million American seniors out of their Medicare Advantage plan. And yet they failed to lead to preserve Medicare for every generation once and for all. They failed; we're going to lead.

I can't help but think many Democrats are eager for everyone else to sacrifice. What about government? Why can't government sacrifice a little? All of those obsolete agencies and all of those wasteful programs, the money they spit away on stimulus programs and to bail out anyone who needs it. Maybe it is time for shared sacrifice, and it can start with the big, fat, bloated Federal Government.

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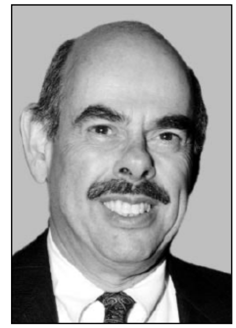
Honorable Henry Waxman

United States Representative, California, Democrat



Representative Waxman, of the Thirtieth District of California, was first elected to the U.S. House of Representatives in 1974. He served in the California Assembly from 1968 to 1974. He is the Ranking Member of the Energy and Commerce Committee. The following is from the April 15, 2011, House floor debate on H. Con. Res. 34, establishing the budget for the U.S. Government for Fiscal Year (FY) 2012 and setting forth appropriate budgetary levels for FY 2013 through 2021.

I strongly oppose the Republican budget resolution for Fiscal Year 2012. Their budget inflicts terrible harm on Americans from all walks of life while protecting the wealthiest taxpayers in America, both individuals and corporations.

I am particularly disturbed by what the Republican budget does to Medicare and Medicaid.

There is no other way to put it: The Republican budget is the end of Medicare as we know it, and it is devastating for Medicare beneficiaries.

Medicare is a social contract with our seniors to provide affordable, accessible, comprehensive health care. The Republicans want to turn Medicare over to the private insurance industry, with payments to seniors that will fall far short of what they need to get the health care they deserve.

The Congressional Budget Office analysis of the Republican budget shows that, over the next decade, it will more than double beneficiary cost for new enrollees.

The average senior will face increased costs of over $6,000 annually when the program begins. And all of that extra spending by seniors and people with disabilities will go to private health insurance plans.

The transfer of seniors into private plans will raise costs by over $11,000 per beneficiary by 2030.

"The transfer of seniors into private plans will raise costs by over $11,000 per beneficiary by 2030."

To add insult to injury, the Republican budget reopens the doughnut hole under the Part D prescription drug benefit, increasing the burden on seniors starting today.

For Medicaid, the Republican budget is even worse. Medicaid covers 60 million of the country's most vulnerable people, one in three low income children, 5 million seniors, and 10 million disabled individuals.

It accounts for 43 percent of total long-term care spending in the United States.

But the Republican budget cuts Medicaid in half by 2022, and turns it into a block grant for the States right away.

And since the Medicaid block grant would grow by only 1 percent per year, while inflation is over 2 percent and health inflation and enrollment growth is even higher.

This means real harm will be inflicted where Medicaid spending is the greatest: on seniors and individuals with disabilities in nursing homes and those receiving benefits to live independently in their home.

By cutting reimbursement rates, Medicaid will lose health providers.

Nursing home quality and staffing levels will inevitably decline.

Medicaid cuts will mean job losses in the health professions.

The Republican budget utterly fails the basic test of humane government. It is extreme, it is mean, and it must be defeated.

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Pros,

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Honorable Scott Garrett

United States Representative, New Jersey, Republican

Representative Garrett, of the Fifth District of New Jersey, was first elected to the U.S. House of Representatives in 2002. He served in the New Jersey Senate from 1990 to 2002. He sits on the Budget Committee and on the Financial Services Committee, where he chairs the Subcommittee on Capital Markets and Government-Sponsored Enterprises. The following is from the April 15, 2011, House floor debate on H. Con. Res. 34, establishing the budget for the U.S. Government for Fiscal Year (FY) 2012 and setting forth appropriate budgetary levels for FY 2013 through 2021.

I rise in opposition to the Democrat substitute amendment. Let me just quickly here sum up. The Democrats' prescription, if you will, for our Nation's fiscal troubles basically includes what? More spending, more debt. And more taxes — more taxes on hardworking families and small businesses. And so while the Democrat budget has lower deficits than, well, the President's budget, you really need to take a closer look at how they achieve this and how they achieve the deficit reduction compared to the White House's budget.

Let's take a look at it. First, well, they raise taxes again. How much? By $208 billion more than the President's budget on all Americans. Then what do they do next? They cut the defense budget. By how much? By $614 billion, again relative to the President's budget over the 10-year window. Now, at the same time, you already had Secretary [of Defense Robert] Gates, who has said that we need to cut the defense budget by $78 billion. They want to cut defense by $614 billion on top of that.

What about in addition to that? Well, in their budget, if you go into it and look, there's about $400 billion in unspecified savings. Unspecified? Here at the twelfth hour, they still can't decide how they want to try to rein in spending? Of course not, because they really honestly don't want to do so.

"The Democratic budget does not even tackle the drivers behind our deficit . . . It does not address the pending bankruptcy . . . of Medicare and Medicaid."

I believe that budgets must be credible, and the Democrats' budget doesn't pass that test at all. The only specific savings in the budget come from how? Raising taxes again on Americans and cutting the defense budget. The Democrat budget does not tackle even the drivers behind our deficits. What are they? It does not address the pending bankruptcy — yes, bankruptcy — of Medicare and Medicaid. The Democrat budget is nothing more than punting, which is exactly what the Administration and the White House have been doing, as well.

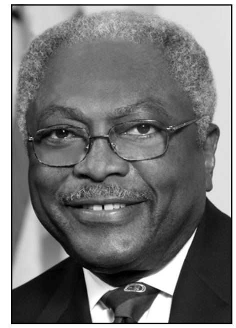
Now, look, the American people want Congress to do the right thing. The American people want us to get spending, want us to get deficits, and they want us to get our debt here in Washington under control, just as American families have to get their spending, deficit, and debt under control, just as small businesses across this country have to get it under control. The Democrats' budget is frankly an embarrassment and shows that the other side is not serious about taking our fiscal challenges seriously.

Cons,

continued from page 189

Honorable James Clyburn

United States Representative, South Carolina, Democrat



Representative Clyburn, of the Sixth District of South Carolina, was first elected to the U.S. House of Representatives in 1992. He served as Executive Director of the South Carolina Commission for Farm Workers from 1968 to 1971, as an advisor to South Carolina John West from 1971 to 1974, and on the South Carolina Human Affairs Commission from 1974 to 1992. He is the Assistant Minority Leader. The following is from the April 15, 2011, House floor debate on H. Con. Res. 34, establishing the budget for the U.S. Government for Fiscal Year (FY) 2012 and setting forth appropriate budgetary levels for FY 2013 through 2021.

We have heard from our Republican friends that they're transforming Medicare. They call it a move to premium support. They also say they're just fixing the flaws in Medicaid. They say they're being brave, and finally tackling entitlement reform.

This isn't about being brave, or transformative, or making a few changes to save the economy. Republicans are pushing the same agenda they have always had, ending the safety net programs that they view as fraudulent. The Republican budget does exactly that. It ends Medicare, results in a huge cost shift, and forces seniors to pay $6,000 per year out of pocket.

It block-grants Medicaid, slashes nursing home aid, and would lead to 50 different benefit programs across the country. That takes us back to my childhood, when benefits in our country were determined by what State you may have been fortunate or unfortunate to have been born in.

But the greatest fraud being committed is that these drastic and unfair changes don't even bring the Republican budget to balance. In fact, the Republican budget adds $8 trillion to the deficit over the next decade. Then where is all that money going, one might ask? While Republicans are gutting Medicare and Medicaid with one hand, they're giving tax breaks to big oil companies and making tax cuts for the wealthy with the other hand.

Now, if you're wealthy or a special interest group, this is surely a pathway to prosperity. But if you're in your golden years, it's the Road to Ruin. Democrats have a plan to reduce the deficit in a steady, responsible way as we build a foundation for shared prosperity and long-term economic growth. In fact, the Democratic budget achieves primary balance by Fiscal Year 2018, and cuts the deficit by $1.2 trillion more than the President's budget. I proudly support the Democratic alternative budget.

"Republicans are pushing the same agenda they have always had, ending the safety net programs that they view as fraudulent."

Report on Medicare Solvency

Continued from page 163

der Medicare become unworkable and do not take effect in the long range, then Medicare spending would instead represent roughly 10.7 percent of GDP in 2085. Growth of this magnitude, if realized, would substantially increase the strain on the Nation's workers, the economy, Medicare beneficiaries, and the Federal Budget.

HI tax income and other dedicated revenues are expected to fall short of HI expenditures in all future years. Although the magnitude of the shortfalls is reduced substantially by various Affordable Care Act provisions, the HI trust fund still does not meet the short-range test of financial adequacy. In the long range, projected HI expenditures and scheduled tax income are much closer to balancing because of the legislation, if the slower price updates can be continued indefinitely. If not, and prices are increased, then HI income and expenditures will remain substantially out of balance. Under either scenario, the trust fund does not meet the test of long-range close actuarial balance.

The Part B and Part D accounts in the SMI trust fund are adequately financed under current law, since premium and general revenue income are reset each year to match expected costs. Such financing, however, would have to increase faster than the economy to match expected expenditure growth under current law. The Affordable Care Act introduced important changes to the Medicare program that are designed to reduce costs, increase revenues, expand the scope of benefits, and encourage the development of new systems of health care delivery that will improve health outcomes and cost efficiency. ■

Republican Budget

Continued from page 164

Streamlining Other Government Agencies. Returns nonsecurity discretionary spending to below 2008 levels. Repeals the new health care law and moves toward patient-centered reform. Reduces the bureaucracy's reach by applying private-sector realities to the Federal Government's civilian workforce. Targets hundreds of government programs that have outlived their usefulness.

Ending Corporate Welfare. Ends the taxpayer bailouts of failed financial institutions, reforms Fannie Mae and Freddie Mac, and stops Washington from picking the winners and losers across sectors of the economy.

Boosting American Energy Resources. Removes barriers to safe, responsible energy exploration in the United States; unlocks American energy production to help lower costs, create jobs, and reduce dependence on foreign fossil fuels.

Changing Washington's Culture of Spending. Locks in savings with enforceable spending caps and budget process reforms, addressing not only what Washington spends, but also how tax dollars are spent.

■ Strengthening the Social Safety Net

Repairing a Broken Medicaid System. Ends an onerous, one-size-fits-all approach by converting the Federal share of Medicaid spending into a block grant that gives states the flexibility to tailor their Medicaid programs to the specific needs of their residents.

Preparing the Workforce for a Twenty-First Century Economy. Consolidates the complex maze of dozens of overlapping job-training programs into more accessible, accountable career scholarships aimed at empowering American workers to compete in the global economy.

■ Fulfilling Health and Retirement Security

Saving Medicare. Protects those in and near retirement from any disruptions and offers future beneficiaries the same kind of health-care options now enjoyed by members of Congress.

Advancing Social Security Solutions. Forces action by the President and both chambers of Congress to ensure the solvency of this critical program.

■ Promoting Economic Growth and Job Creation

Individual Tax Reform. Simplifies the broken tax code, lowering rates and clearing out the burdensome tangle of loopholes that distort economic activity; brings the top rate from 35 to 25 percent to promote growth and job creation.

Corporate Tax Reform. Improves incentives for job creators to work, invest, and innovate in the United States by lowering the corporate tax rate from 35 percent, which is the highest in the industrialized world, to a more competitive 25 percent. ■

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The U.S. Senate

Total Membership, 100:
51 Democrats
47 Republicans
1 Independent
1 Independent Democrat

Presiding Officer:
Vice President
Joseph R. Biden

President Pro Tempore:
Daniel K. Inouye (HI)

Floor Leaders:
Majority Leader
Harry Reid (NV)
Minority Leader
Mitch McConnell (KY)

Party Whips:
Majority Whip
Richard Durbin (IL)
Minority Whip
Jon Kyl (AZ)

The U.S. House of Representatives

Total Membership, 435:
240 Republicans
192 Democrats
3 Vacancies

Presiding Officer:
Speaker of the House
John Boehner (OH)

Floor Leaders:
Majority Leader
Eric Cantor (VA)
Minority Leader
Nancy Pelosi (CA)

Party Whips:
Majority Whip
Kevin McCarthy (CA)
Minority Whip
Steny Hoyer (MD)

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