



U.S. HOUSE OF REPRESENTATIVES

# COMMITTEE ON THE BUDGET

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## Myths vs. Reality: The Republican Budget

### **MYTH: The Republican budget protects the Medicare guarantee.**

**REALITY:** Just like last year, the Republican budget ends the Medicare guarantee of a specific benefit package at an affordable premium. Instead, seniors in Medicare – whose current median income is below \$21,000 – would receive a voucher to buy either private insurance or traditional Medicare, but that voucher would fail to keep pace with projected health care costs over time. Beneficiaries would either have to pay thousands more dollars out of their own pockets on premiums for a plan that provides the current Medicare benefit package, or else buy plans that will leave them significantly underinsured. Either way, the Republican budget violates the Medicare guarantee. We should not solve our budget challenge simply by unloading the financial risk of future health care cost growth onto elderly and disabled individuals. But that is what the Republican budget does, while providing windfall tax cuts to millionaires and special interests.

Moreover, by repealing the Affordable Care Act, the Republican budget immediately reduces the prescription drug benefit by re-opening the "donut-hole" and increases costs to seniors for preventive care services. Reopening the donut hole alone will increase costs for Medicare beneficiaries with high prescription drug costs by an average of \$10,000 over the next ten years.

### **MYTH: The Republican tax windfall for the wealthy will boost economic growth.**

**REALITY:** This trickle-down ideology has now been tested by reality – and it doesn't work. We heard the same promises regarding the Bush tax cuts, and the economy went from averaging 3.9 percent real economic growth and 21 million private-sector jobs created during the Clinton Administration to a net loss of 653,000 private-sector jobs by the end of the Bush Administration. The only effect these tax breaks have had is on the U.S. Treasury, helping to turn \$5.6 trillion in projected surpluses that Republicans inherited in 2001 into a sea of deficits.

### **MYTH: The Republican budget "repairs" the social safety net.**

**REALITY:** The Republican claim that their budget "repairs" the social safety net is truly Orwellian. In fact, the Republican budget would slash Medicaid by over \$810 billion over 10 years – cutting the program by one-third by 2022 and by a whopping 75 percent when the cuts are fully phased in, according to CBO. Let's keep in mind that two-thirds of Medicaid spending supports seniors and persons with disabilities. Their budget takes \$133.5 billion from the SNAP food assistance program over the next 10 years, putting at risk the nutritional needs of nearly 47 million Americans, three-quarters of whom are in families with children. Additionally, the Women, Infants, and Children (WIC) program will inevitably face the budget axe as Republicans will cut more than \$1 trillion in non-defense discretionary spending while refusing to tell the American people exactly where they plan to cut.

### **MYTH: The Republican budget protects the middle class.**

**Reality:** The Republican budget provides another round of windfall tax breaks for the top 1 percent that are paid for by increasing the tax burden on the middle class. The budget proposal cuts the top marginal tax rate from 35 percent to 25 percent in a "deficit-neutral" way. Based on estimates provided by the Tax Policy Center, this proposal will reduce revenues by \$4.6 trillion over 10 years. The Republicans are incapable of showing how they would finance that tax cut without increasing the tax burden on middle-income Americans by eliminating the mortgage interest deduction and other deductions that benefit the middle class. Indeed, when given an opportunity to prohibit tax increases on individuals with income below \$200,000 (\$250,000 for couples), all of the Republicans on the Budget Committee voted "No." Instead, Republicans would shower millionaires with even greater tax cuts – based on Tax Policy Center estimates, \$129,000 in tax cuts from just extending all of the Bush-era tax cuts plus another \$265,000 on top of that from slashing the top tax rate to 25%, for a total average tax cut of \$394,000 for individuals earning over \$1 million. The Republican budget also eliminates more than \$700 billion in tax credits for premium subsidies by repealing the Affordable Care Act, allows the interest rates on subsidized student loans to rise from 3.4 percent to 6.8 percent beginning July 1, 2012, and cuts the President's higher education funding request by over \$285 billion over 10 years.