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## **GOP Budget Protects Special Interests at the Expense of Jobs, Key Investments, and Seniors**

The House Republican budget reduces jobs and slows economic growth, slashes critical investments in our future, and breaks our promises to seniors while protecting tax breaks for special interests and the very wealthy.

### **REDUCING JOBS AND SLOWING ECONOMIC GROWTH**

- Putting Americans back to work is the fastest and most effective way to reduce the short-term deficit – but the Republican budget turns its back on American workers.
- Because their budget fails to replace the sequester in 2013, we still stand to lose 750,000 jobs this year, according to the Congressional Budget Office (CBO).
- According to initial estimates by the Economic Policy Institute, the House Republican budget would cost 2 million jobs in 2014 alone, relative to current policy.

### **PROTECTING TAX BREAKS FOR SPECIAL INTERESTS AND THE VERY WEALTHY**

- The House Republican budget increases tax breaks for the wealthiest in the country at the expense of middle-income taxpayers, who will pay an average of \$2,000 more per family.
- It fails to reduce the deficit by one dime by closing special interest tax breaks, like those for big oil, corporate jets, and overseas tax havens.

### **SLASHING CRITICAL INVESTMENTS IN OUR FUTURE**

- This budget guts our investment in things that are important to helping our economy grow: our kids' education, transportation and infrastructure, and science and research.
- Non-defense discretionary spending – the part of the budget that goes to fund the National Institutes of Health, air traffic controllers, food safety inspectors, Head Start – is cut by more than twice as much as it would be cut if the sequester went into effect and stayed in effect for ten years. In 2014, that means \$55 billion below sequester.

### **BREAKING OUR PROMISES TO SENIORS**

- The GOP budget cuts \$810 billion in Medicaid. That cuts almost a full third of Medicaid in 2023 – and remember, two-thirds of Medicaid spending goes to individuals with disabilities and seniors.

- House Republicans would immediately reduce the prescription drug benefit by re-opening the coverage gap, or “donut-hole,” and it 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 over \$13,000 from now through 2022.
- Over the long-term, this budget ends the Medicare guarantee, giving seniors a voucher and shifting the risks of rising health care costs onto the elderly, who have a median income of less than \$22,500 a year.

**BALANCING THE BUDGET WITH REVENUE AND HEALTH SAVINGS THEY VOTED AGAINST**

- It is a total hoax for House Republicans to say at the same time that they are both repealing Obamacare and balancing the budget in ten years.
- This budget includes the \$716 billion in Medicare savings from Obamacare – despite all the demagoguery from the GOP on this issue.
- House Republicans also take all the revenue from health care reform – \$1 trillion over ten years – but repeal the parts that made coverage more affordable for 27 million people and established important patient protections.
- Additionally, they include revenues enacted as part of the fiscal cliff deal – even though the majority of the House Republican caucus voted against that legislation.

The question is not whether we should reduce the deficit, but how. Republicans claim they are ‘reigniting the American Dream’ – but only for those who have already succeeded, while smothering it for everyone else. For the vast majority of working Americans, this budget only makes it harder to make ends meet.

**Budget Fails to Fix Sequester, Placing 750,000 Jobs in Jeopardy**

**No Sequester Fix.** While the budget shifts the burden of the sequester entirely on to non-defense programs, it does nothing to replace the sequester with a balanced plan. This budget will do nothing to prevent the loss of 750,000 jobs that the Congressional Budget Office estimates will result from allowing this year’s sequester to move forward.

<b>Republican Budget 10-year Deficit Reduction</b>
<b>Revenues:</b> \$0 in tax revenues
<b>Mandatory Cuts:</b> \$3.7 trillion
<b>Discretionary Cuts:</b> \$1 trillion versus pre-sequester BCA caps, all of it from non-defense funding

**Slashes Non-Defense Discretionary Spending.** The Republican budget transfers all the burden of the discretionary sequester on to non-defense programs, further gutting the part of the budget that goes to fund the National Institutes of Health, air traffic controllers, food safety

inspectors, Head Start. For next year, defense spending remains at the pre-sequester level, or \$55 billion above the post-sequester cap. Meanwhile, non-defense discretionary funding would be \$55 billion below the post-sequester cap. Over ten years, the budget proposes to increase defense discretionary spending by \$551 billion compared to current law (including the sequester), while cutting non-defense spending by an additional \$595 billion beyond the cuts already made through the caps and the sequester. Over ten years, non-defense spending would be cut almost \$1 trillion below the Budget Control Act's pre-sequester caps.

## **Protecting Tax Breaks for Special Interests and the Wealthy**

The Republican budget raises the same amount of revenue over ten years as CBO projects under current law both in dollar terms and as a percentage of the economy. In addition, the budget claims a fiscal dividend as a result of its deficit reduction that would increase revenues by another \$112 billion (and reduce spending by an additional \$75 billion, based on savings from lower take-up in programs like unemployment and SNAP, as well as lower debt service).

It proposes to lower the top individual and corporate tax rates to 25 percent, at a cost of several trillion dollars, which Republicans say they will pay for by closing unspecified loopholes. Nevertheless, it is clear that the Republicans would use all savings from closing tax loopholes to lower tax rates, particularly for businesses and higher-income individuals – at the expense of middle-income taxpayers, who will pay an average of \$2,000 more per family. Not a single penny raised from closing special interest tax breaks, like those for big oil, corporate jets, and overseas tax havens, will be used for deficit reduction in their budget.

Additionally, the budget claims to achieve balance in 2023 with many of the same policies as in previous Republican budgets. This year, these policies lead to balance mostly due to savings that the Republican House fought hard to reject. The budget maintains the revenue raised by the fiscal cliff deal enacted earlier this year – revenue levels that are above last year's Republican Budget and which were strongly opposed by most House Republicans.

## **Slashing Critical Investments in Our Future**

The cuts the Republican budget makes in domestic spending will harm job creation and our economy. Failing to fix this year's sequester would cost our economy 750,000 jobs according to CBO. In the longer-term, the resolution makes cuts that are likely to mean fewer jobs in our nation's schools, or in building and maintaining our roads, bridges, airports and other critical infrastructure. In addition to immediate job losses, reduced investments in areas such as education, transportation, research and development, energy, and other areas are likely to

reduce economic growth in the future. These cuts will force our businesses to work with a less skilled workforce, an outdated transportation network, and reduced technological innovation.

**Slashes Education Funding.** The Republican budget targets deep spending cuts to education and training despite their so-called *Path to Prosperity's* claim to support upward mobility and “the opportunity to rise.” Republicans blame federal student aid for increasing college costs; their solution is to make college less affordable to students by slashing federal aid, putting college out of reach for the millions of students who depend on Pell grants and federal student loans. The Republican budget cuts \$83 billion in education funding by freezing the maximum Pell grant for the next ten years, even though Congress already enacted – and paid for – mandatory annual inflationary increases in 2010 and recently cut Pell grant benefits and eligibility to control costs.

The Republican budget goes further, eliminating all the expanded student loan repayment benefits and lowered interest rates that Congress enacted – and paid for – in 2007. The budget also assumes cutting and reorganizing elementary and secondary education programs above and beyond the 49 Department of Education programs Congress has already eliminated since 2010. It also assumes that job training services are consolidated and cut, making it harder for out-of-work Americans to get the skills they need to find jobs in a competitive global economy.

**Slashes Transportation Funding.** The budget assumes deep cuts in future transportation spending. Under the Republican budget, investments in transportation will remain lower than current levels for the next decade. This will significantly impair our ability to maintain and modernize our infrastructure, costing construction jobs in the short-run and reducing future economic growth.

**Continues Assault on Federal Workers.** For the purpose of paying down the deficit, the Republican budget adds to the \$103 billion financial burden already shouldered by federal employees in previously-enacted deficit reduction bills. The resolution calls for reducing the federal workforce by 10 percent and requiring higher pension contributions of each remaining employee – effectively an additional pay cut. Federal workers are hardworking, middle class Americans who are struggling through difficult times and yet no one group has been asked to contribute more to deficit reduction.

**Neglects Investments in R&D and Clean Energy.** The Republican budget abandons investments in research and development and clean energy – keys to competing in the global economy. These investments create jobs for future generations of scientists and engineers while improving our energy security. The Republican budget criticizes investments in clean energy while ignoring the tax breaks big oil companies have benefited from for decades, even as their profits pushed \$1 trillion over the last ten years. Federal funding for research and development

strengthens American manufacturing, supports clean energy technologies that lack private sector investment, and bolsters our nation's international competitiveness.

**Drastically Cuts Nutrition Assistance.** As in other areas, the Republican budget repeats last year's attempts to drastically reduce Supplemental Nutrition Assistance Program (SNAP) food assistance (formerly called "food stamps"). SNAP is currently serving 48 million people, nearly three-quarters of whom are in families with children. The Republican budget reduces the program's funding very deeply relative to projected levels, which already assume the program's scope and costs decline as the economy improves. Regardless of the mechanism used to achieve these savings, the only ways to significantly reduce costs in SNAP are to throw people off the rolls or reduce the allotment per person, making it virtually impossible for people to afford a nutritionally sound diet.

## **Breaking Our Promises to Seniors**

**Ends the Medicare Guarantee.** The Republican budget ends the Medicare guarantee on which seniors depend and replaces it with a voucher for the purchase of insurance that is not guaranteed to keep pace with health care costs over time. The plan does nothing to address the root causes of growing health care costs. Instead, it reduces federal spending by shifting costs and risk onto seniors and disabled individuals. The policy in the budget affects everyone who qualifies for Medicare in 2024 or later.

Federal payments for a senior's health care voucher will not be guaranteed to keep pace with costs – ***regardless of whether a senior enrolls in traditional Medicare or a private plan.*** If health costs grow faster than the voucher plan's specified limit of growth in GDP plus 0.5 percent, future beneficiaries will either have to pay thousands of dollars more out of their own pockets on premiums for a plan that provides the current Medicare benefit package, or else buy plans that may leave them significantly underinsured. As a consequence, rising costs and financial risk simply would migrate from the federal budget to seniors' household budgets. This is NOT the same deal that members of Congress have. There is no evidence that seniors will be able to keep their costs down without skimping on necessary medical care. Half of Medicare beneficiaries had incomes of less than \$22,500 in 2012.

There is no reason to believe that the Republican budget's plan for unfettered market competition will result in affordable, acceptable coverage for seniors. Prior to the creation of Medicare in 1965, almost half of all American senior citizens had no health insurance. While health costs were rising steadily, the market did not respond to the cost constraints faced by seniors by creating an affordable insurance product that provided them adequate protection. Insurers did not rush to cover seniors.

Since 1965, we have experimented with private competition within Medicare, through the Medicare Advantage program and its predecessors. The result was that, in many areas of the country, private plans simply could not compete with traditional Medicare unless we paid them more. Private plans were paid 13 percent more than traditional Medicare in 2010, before the Affordable Care Act (Obamacare) reformed Medicare Advantage payments.

Converting Medicare into a voucher system that fails to keep pace with health care costs will have drastic negative effects on our seniors. We cannot solve our budget challenge simply by unloading the financial risk of future health care cost growth onto elderly and disabled individuals.

**Other Medicare Changes.** The Republican budget cuts Medicare spending by \$129 billion over ten years relative to current law. About half of this cut reflects the repeal of an Affordable Care Act provision that reduces prescription drug costs for seniors by gradually closing the Part D coverage gap, or “dounut hole,” by 2020. The Republican budget repeals all new spending provided by the Affordable Care Act, but retains the law’s Medicare savings and various revenue provisions that paid for the new spending. Since the law was enacted, 6.1 million people with Medicare have saved more than \$5.7 billion on prescription drugs. Repeal would mean seniors with high prescription drug costs would pay \$780 more for their drugs in 2014. The hit on these seniors’ pocketbooks would rise to \$2,600 in 2022. In total, reopening the donut hole will increase costs for Medicare beneficiaries with high prescription drug costs by an average of over \$13,000 from now through 2022. The remaining reduction in Medicare spending reflects two provisions: increasing Part B and D income-related premiums, and the Medicare budgetary effects of federalizing laws governing certain aspects of medical malpractice litigation, overriding applicable state laws in the process.

**Slashes Medicaid.** Like last year, and the year before, the Republican budget chooses to preserve tax cuts for the wealthiest Americans while jeopardizing the health and financial security of the 62 million seniors, disabled individuals, and working families who rely on Medicaid. The budget uses the code words of “block-granting” Medicaid, but the reality is that the budget slashes \$810 billion from federal Medicaid spending over ten years and leaves it to the states to decide what to do next. In 2015 alone, the Republican budget cuts more than eight percent from the Medicaid budget.

The Republican budget separates Medicaid funding from the needs of an aging population. Block-granting Medicaid will strain state budgets and lead many states to end care to millions of seniors and disabled individuals, who account for about two-thirds of program spending. One out of every five Medicare beneficiaries relies on Medicaid for help with out-of-pocket expenses or long-term care costs, and 60 percent of people in nursing homes rely on Medicaid for help paying their bill. Devastating cuts to Medicaid hurt the most vulnerable people in our nation.

Additionally, the Republican rationale for block-granting Medicaid flies in the face of logic. Medicaid is already a very efficient program. Only 5 percent of Medicaid spending goes to administrative expenses, whereas private health insurers spend more than 9 percent on their administrative costs. It is hard to see how states could run their programs more efficiently than they already do. Medicaid is also already very cost-effective. It costs less per capita than private insurance, after adjusting for the underlying health differences in populations, and has a slower rate of cost growth. From 2000 to 2009, Medicaid spending per enrollee grew an average of 4.6 percent a year. The comparable rate of growth in employer-sponsored insurance was nearly 8 percent per year. The Republican budget cites the improper payment rate in Medicaid as rationale for block-granting the program. However when the Government Accountability Office looks into this issue it recommends “more federal oversight of Medicaid’s fiscal and program integrity,” not less.

The Republican budget claims that block-granting Medicaid would turn it into a program “like” the State Children’s Health Insurance Program (CHIP). However, CHIP has been successful precisely because it does not mirror the block grant proposal in the Republican budget. In the CHIP program, states have been provided with more money than it was projected they would need in the ten-year budget window, and Congress has always stepped in to provide additional funding for CHIP during economic downturns or other times when need has increased. The Republican budget, on the other hand, provides less funding than will be required to maintain Medicaid enrollment, even without the expansion of Medicaid coverage to the 12 million uninsured Americans projected to gain coverage under the Affordable Care Act. And finally, states already have flexibility in how to run their Medicaid programs. All but two states have a waiver for increased flexibility in their Medicaid program, which allows them, for example, to use a managed care delivery system, or provide long-term care in community settings.

## **Repeals Health Insurance Coverage for 27 Million Americans**

Like last year, and the year before, the Republican budget assumes repeal of the Affordable Care Act, and along with it, the promise of insurance coverage to the 27 million uninsured Americans who are projected to gain coverage under the law. Of course, it is a total hoax to say that for House Republicans to say at the same time that they are both repealing Obamacare and at the same time to say that they’re balancing the budget in ten years. This budget includes the \$716 billion in Medicare savings from Obamacare – despite all the demagoguery from the GOP on this issue. House Republicans also take all the revenue from health care reform – \$1 trillion over ten years. In addition, the budget benefits from the CBO’s projections of lower future health care spending compared with last year’s estimates.

In addition to expanding health insurance coverage to 27 million Americans, the Affordable Care Act also reduces the deficit and strengthens the economy. According to CBO, the Affordable Care Act will reduce the deficit by more than a trillion dollars over the next two decades. Guaranteed coverage creates a more productive workforce, reduces “job lock,” and provides the security that entrepreneurs need to start new businesses.

Repealing the Affordable Care Act will undermine the cost-containment initiatives and patient protections contained in the law, such as the requirement that insurers spend at least 80 percent of premiums on health and quality-improving activities rather than things that do not add value to the health care system, such as marketing, executive compensation, and bonuses. Repealing the law also eliminates important consumer benefits, including protection against discrimination based on pre-existing health conditions, the ability of young adults to stay on their parents’ health insurance plan up to the age of 26, and tax credits to help small businesses afford health insurance for their employees. Repealing the law will end access to recommended preventive services without cost sharing for 47 million women, and allow insurance companies to limit access to mental health care for 32 million Americans. It will bring back the days when insurance companies were allowed to cap annual and lifetime benefits for more than 100 million Americans, meaning that people who pay their premiums and think they have coverage could suddenly find themselves without coverage when they need it and end up facing extraordinarily high medical bills.

## **Defense and Overseas Contingency Operations**

The Republican budget matches the pre-sequester Budget Control Act caps for defense, which includes funding for the Department of Defense and for nuclear weapons activities at the Department of Energy, for 2014 through 2021 while it slashes non-defense spending by nearly \$1 trillion compared to those same caps. For Overseas Contingency Operations, it provides \$93 billion for 2014 and \$35 billion for each year from 2015 through 2023. In contrast, CBO estimated an alternative policy scenario in its February budget update that assumes deployment of an average of 85,000 troops over the course of 2014, dropping to 45,000 troops by 2016. CBO estimates that scenario to cost just \$70 billion in 2014.