RSC Republican Study Committee
REP. TOM PRICE, M.D. (R-GA), CHAIRMAN
PAUL TELLER, EXECUTIVE DIRECTOR
424 CANNON HOUSE OFFICE BUILDING
WASHINGTON, DC 20515
rsc.price.house.gov
ph (202) 226-9717 / fax (202) 226-1633

RSC Policy Brief: It's all about the Cost
The Real Cost and Gimmicks in H.R. 3590

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In light of the Budget Committee's "mark-up" of the shell reconciliation bill, the RSC wanted to bring some facts and figures about the Senate bill to your attention.

CBO Discretionary Spending Estimates for H.R. 3590:
CBO came out with more information this week on a portion of the discretionary costs of the Senate bill.

- **Implicit Authorization:** CBO again confirms that there implementing H.R. 3590 will require an additional \$10 to \$20 billion in discretionary spending over the ten year window for the IRS and the Department of HHS.
- **Explicit Authorization:** CBO also estimates an additional \$55.6 billion in discretionary spending would be required on the various grant programs authorized with specified funding levels for possible future appropriations.
- **Explicit Authorization:** The bill also contains authorizations for grants and programs with no funding level specified and as such CBO has not yet completed these estimates ("such sums").

Thus the overall cost of discretionary spending required to implement the bill is far higher, and as with the House bill's total discretionary spending, these figures could climb up over \$200 billion.

Just looking at CBO's revised estimates, the Senate bill increases spending by \$875 billion over ten years; however when you add the additional \$75 billion in discretionary spending, the bill costs \$950 billion. The White House has estimated their provisions increase the bill by \$75 billion which will result in a final bill coming in at a minimum of \$1.025 trillion. So much for President Obama's pledge that the bill will cost under \$900 billion.

According to the Senate Budget Committee's Minority, the "true cost" for the bill, once the reforms are fully implemented (FY2014-2023), is **\$2.31 trillion.**

Gimmicks:

- **Tax Now Spend Later:** The Senate bill employs a trick by implementing 10 years of tax increases and cuts to Medicare in order to pay for just 6 years of benefits. This allows the bill's cost during the 10 year budget window to appear far less than it actually will cost when fully implemented.

- **SGR Reform Anyone?:** The Senate bill leaves out the physician SGR "fix" which CBO now estimates will cost $286 billion, and the President's own Administration (OMB) estimates will cost $371 billion. Thus CBO assumes that a 23% SGR cut goes into effect in 2011.
- **Double Dipping:** During the White House health care "summit," the Vice President claimed that the health care plan would "extend the life of the Medicare Trust Fund." However, the massive cuts to Medicare in the bill are not used to improve the programs solvency, but instead spent on new entitlement spending and government programs. The truth is either you're extending the life of Medicare or you're paying for the bill. You can't claim both. That would be double counting. CBO agrees.
- **The "Ponzi Scheme" a.k.a the CLASS Act:** The bill would create a government-sponsored long term care insurance program that would automatically enroll individuals unless they actively opt-out. The trick is that individuals must first pay premiums (set by the federal government) for five years in exchange for a meager $50-a-day benefit to partially cover the cost of care. The CLASS Act is another unsustainable program being used to disguise the short-term costs of the broader bill through a budget gimmick. It would raise billions over the first ten years (while paying out $0 in benefits for half of that time), but then will begin to increase the deficit following FY2029.
- For more information on the procedural gimmicks click here.

<u>Does Not Bend the Cost Curve</u>:

- Even without the President's additions, CBO's updated estimate has found that "under the legislation, federal outlays for health care would increase during the 2010–2019 period, as would the federal budgetary commitment to health care. CBO now estimates that the federal commitment would increase by about $210 billion over that period, rather than by $200 billion as previously estimated."
- CMS' Actuaries have found that the bill will increase National Health Expenditures (NHE) by $222 billion above current projections. Additionally, the Actuaries have serious doubts about the proposed Medicare cuts actually occurring.
- Even CBO has doubts that the long term cost containment mechanisms will remain intact: "These longer-term calculations assume that the provisions are enacted and remain unchanged throughout the next two decades, which is often not the case for major legislation."

<u>Reduces the Deficit? Complies with the Blue Dog's Highly Touted PAYGO?</u>:

- According to CBO, $65 billion of the $118 billion in net deficit reduction would be on-budget, while Social Security revenues from the Cadillac tax are identified as being part of the $52 billion off-budget items.
- Furthermore, the CLASS Act is exempted – under the Statutory PAYGO bill that passed the House and Senate – for purposes of counting it as savings and as such the premiums collected for the program can't be counted toward reducing the deficit.
- Thus, in reality, if you remove the off-budget Social Security Revenues ($52 billion) and the CLASS Act ($72 billion) from the deficit impact, at a minimum the bill increases the deficit by over $5 billion.

- If you account for CBO’s incomplete discretionary spending estimate ($75 billion) the bill increases the deficit by **$80 billion**.
- And if you account for Medicare double dipping ($467 billion), the overall deficit increase is **$547 billion**.
- Finally, if you add back in the SGR “fix” using the President’s figures ($371 billion), the total deficit will increase by a staggering **$918 billion**.

Will the Blue Dogs and the New Democrats crumble under the White House’s pressure and side against the American people by voting for this disaster of a health care bill? Only time will tell.

RSC Staff Contact: Emily Henehan Murry, emily.murry@mail.house.gov, (202) 225-9286