



## **How the Senate Health Care Bill Violates Statutory PAYGO** *Legislation Raids Social Security and CLASS Act Funds*

Even though Democrats claim that their health care legislation is fiscally responsible, a new Congressional Budget Office (CBO) analysis of the Senate-passed bill reveals that it relies on revenues from trust funds that existing law and the bill itself declare off-limits:

- The updated CBO score reduced the projected deficit savings in the bill's first 10 years by more than 10 percent—from \$132 billion down to \$118 billion.<sup>i</sup> However, the score also notes that the bill generates \$52 billion in additional Social Security revenues, reflecting higher payroll tax receipts. Because these receipts will eventually need to be paid out as higher Social Security benefits in future years, this revenue is considered “off-budget” for CBO scoring purposes.
- Likewise, the bill includes \$70.2 billion in revenues generated by a new long-term care entitlement program—the CLASS Act.<sup>ii</sup> Because the program would work like an insurance program, with premiums collected now to pay needed benefits later, these revenues will be needed to pay out benefits in future decades. Preserving this insurance link is essential, as the non-partisan actuaries at the Centers for Medicare and Medicaid Services have cited a “very serious risk” that the program could become fiscally “unsustainable.”<sup>iii</sup> CLASS Act funds were protected in the Senate bill with Sense of the Senate language stating that Social Security and CLASS Act revenue “should be reserved” for their intended use, “and not spent in this Act for other purposes.”<sup>iv</sup>
- Excluding the \$122.2 billion in new revenues that must eventually be paid out in benefits (\$52 billion from Social Security, and \$70.2 billion from the CLASS Act), the bill's \$118 billion in savings turns into a net deficit of \$4.2 billion. Thus either the Senate bill raises the deficit, or it raids the Social Security and CLASS Act trust funds to pay for new health care entitlements.
- Because the PAYGO law specifically exempts the CLASS Act from the spending scorecard used to measure compliance with the deficit requirements of the Act, and because Social Security is declared off-budget,<sup>v</sup> the \$122.2 billion in revenues for these two programs cannot be used to comply with PAYGO provisions, meaning the Senate bill violates statutory PAYGO by \$4.2 billion, triggering automatic sequestration cuts at the end of this fiscal year.
- The House's impending consideration of the Senate health bill comes mere days after Blue Dog Democrats objected to the passage of “jobs” legislation because of their concerns about whether the bill complied with PAYGO.<sup>vi</sup> Will the same Blue Dog Democrats who blocked a \$15 billion measure for not complying with statutory PAYGO now roll over and pass a \$1 trillion measure that similarly violates the PAYGO law passed with such fanfare just last month? And how can a bill that does not comply with statutory PAYGO be justified by Blue Dog Members—or anyone else—as fiscally responsible in the first place?
- The Democratic “raid” on Social Security and CLASS Act revenue comes at a time when Social Security itself faces growing financial pressure. For the first time in decades, the Social Security trust fund is expected to pay out more in benefits than it generates in new revenue, forcing the

government to cash-in Treasury bonds to fund the shortfall.<sup>vii</sup> An additional raid on trust fund obligations to fund new health care entitlements would only compound the debt woes facing Social Security—and the Treasury.

America's rapidly rising debt levels have resulted in international alarm; the ratings service Moody's recently released a report indicating the United States could soon lose its AAA rating absent action to control government spending.<sup>viii</sup> With federal deficits and debt skyrocketing out of control, many may question this latest budget gimmick to raid existing programs in order to fund trillions in spending on new health care entitlements—and how any Democrat who votes for a bill that violates both these trust fund obligations and the principles of statutory PAYGO can claim the mantra of fiscal responsibility.

---

<sup>i</sup> Congressional Budget Office, Letter to Honorable Harry Reid, March 11, 2010, [http://cbo.gov/ftpdocs/113xx/doc11307/Reid\\_Letter\\_HR3590.pdf](http://cbo.gov/ftpdocs/113xx/doc11307/Reid_Letter_HR3590.pdf).

<sup>ii</sup> Ibid.

<sup>iii</sup> CMS Office of the Actuary, Estimated Financial Effects of H.R. 3590 as passed the Senate, January 8, 2010, [http://www.politico.com/static/PPM130\\_oact\\_memorandum\\_on\\_senate\\_bill\\_as\\_passed\\_01-08-09.html](http://www.politico.com/static/PPM130_oact_memorandum_on_senate_bill_as_passed_01-08-09.html).

<sup>iv</sup> Section 1563, pages 391-92 of H.R. 3590 as passed the Senate.

<sup>v</sup> References are Sections 4(d)(6) and 3(4) of P.L. 111-139, respectively.

<sup>vi</sup> "Oberstar Looks to Trip Up Jobs Plan," *Roll Call* February 25, 2010, [http://www.rollcall.com/issues/55\\_94/news/43564-1.html](http://www.rollcall.com/issues/55_94/news/43564-1.html).

<sup>vii</sup> "Social Security to Start Cashing Uncle Sam's IOUs," Associated Press March 14, 2010, <http://www.nytimes.com/aponline/2010/03/14/us/AP-US-Social-Security-IOUs.html>.

<sup>viii</sup> David Jolly and Catherine Rampell, "Moody's Warns U.S. Debt Could Test Triple-A Rating," *New York Times* March 15, 2010, <http://www.nytimes.com/2010/03/16/business/global/16rating.html>.