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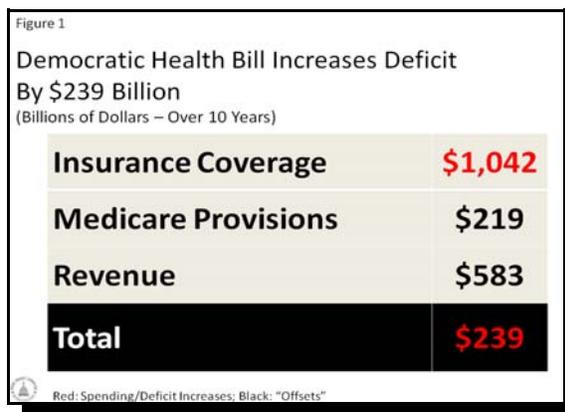
THE HOUSE 'TRI-COMM' BILL: AN UPDATE
THE MAJORITY'S NEW
TRILLION-DOLLAR HEALTH CARE ENTITLEMENT
(H.R. 3200)

20 July 2009

The updated cost estimate for the Majority's health care "reform" only clarifies what previous analyses had shown: the proposal creates a new trillion-dollar Federal health entitlement, initiates a takeover of the health care sector, and offers nothing to moderate the "cost curve" that is making health coverage more difficult for Americans to obtain. It is no wonder the Ways and Means Committee plowed through its markup of the bill last Thursday night, before the cost estimate was completed. This week, the Energy and Commerce Committee will take its turn at promoting this vast expansion of government, and increased intervention in one of the most personal and important services Americans have.

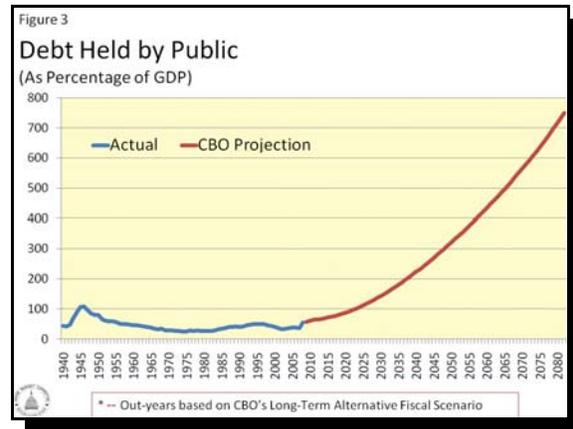
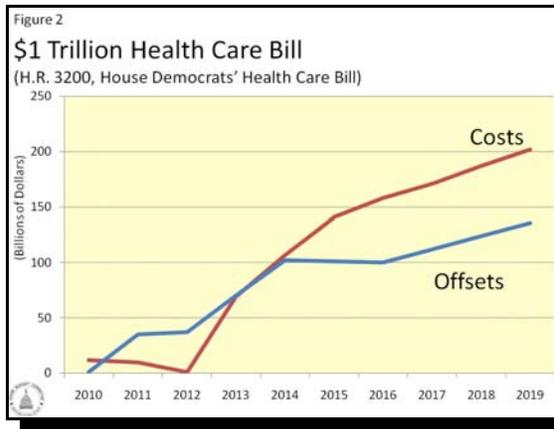
Energy and Commerce is the third of three committees to take up the legislation - the others being Ways and Means and Education and Labor. Due to this trio of players, the measure often is referred to as the tri-committee, or "Tri-Comm," bill; and what is known about the plan so far makes clear why Americans' support for it is declining.

- According to Friday's estimate by the Congressional Budget Office [CBO], the measure will cost at least \$1 trillion; will raise taxes by \$583 billion; will impose \$219 billion of what the Democrats would call "cuts" in Medicare; and will still raise the budget deficit by \$239 billion. (See Figure 1.)
This violates one of the President's basic principles: that health care reform should not add to the government's river of red ink. During a House Budget Committee hearing last month, Office of Management and Budget Director Orszag said: "And so, just to reinforce the point, what we are saying is that health care reform must be deficit neutral using CBO-scored, hard, scoreable offsets, over 10 years and in the 10th year."



1 Testimony to the Committee on the Budget, U.S. House of Representatives, 25 June 2009.

- More troubling is the trend. The bill’s cost quickly outpaces its offsets, according to preliminary figures by CBO and the Joint Committee on Taxation [JCT]. By 2019, the bill’s cost exceeds its total offsets by \$66 billion in that year alone (see Figure 2) – and the gap is even greater if the measure’s tax increases are not included.



- But these figures may actually be optimistic. For example, they assume the plan’s “public option” entitlement will promote competition in health insurance, when in fact it will smother competition,² leaving fewer choices and forcing more people on the government plan – making it more expensive. They also do not account for the effect of the plan’s “play or pay” employer mandate – how it would increase costs for businesses and almost surely reduce jobs.
- In addition, the Majority would add these costs and deficits to an unsustainable entitlement crisis that already threatens the long-term health of the U.S. economy. In its most recent long-term budget projection, issued less than a month ago, CBO projects that the Federal debt will *exceed the size of the entire U.S. economy in 2023*.³ That debt increase is primarily due to Medicare, Medicaid, and Social Security spending. The report summarizes what current trends mean to the economy by stating: “CBO’s long-term budget projections raise fundamental questions about economic sustainability.” (See Figure 3.)

Earlier on Thursday, CBO Director Elmendorf testified on the long-term budget in response to questions from Senate Budget Committee Chairman Conrad. An excerpt:

Chairman Conrad: “Everyone has said, virtually everyone, that bending the cost curve over time is critically important, and one of the key goals of this entire effort. From what you have seen from the product of the committees that have reported, do you see a successful effort being mounted to bend the long-term cost curve?”

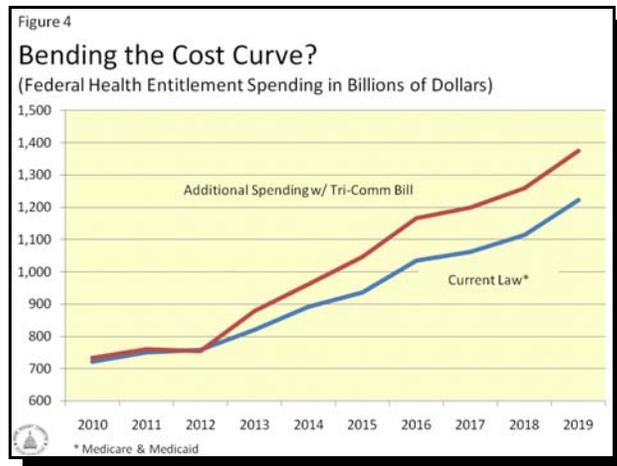
² Instead of promoting competition, these benchmarks will become common denominators toward which private health plans will gravitate, reducing options and innovation. In effect, even people who buy private insurance will wind up essentially with coverage shaped by government bureaucrats.

³ <http://www.cbo.gov/doc.cfm?index=10297>

Director Elmendorf: “No, Mr. Chairman. In the legislation that has been reported we do not see the sort of fundamental changes that would be necessary to reduce the trajectory of Federal health spending by a significant amount, and on the contrary the legislation significantly expands the Federal responsibility for health care costs.”

Chairman Conrad: “So the cost curve in your judgment is being bent but it’s being bent the wrong way. Is that correct?”

Director Elmendorf: “The way I would put it is that the curve is being raised.”⁴



- The Majority cannot avoid the disaster this bill will create, because they cannot accept any solution that does not involve layering on more government to a health care sector already distorted by excessive government spending and regulation. Congress should change direction, and begin developing a real health care reform – one that truly restores the central role of doctors and patients, and promotes *more* options for health coverage, not fewer.

⁴ Hearing of the Committee on the Budget, United States Senate, 16 July 2009.