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THE COMMITTEE ON THE BUDGET

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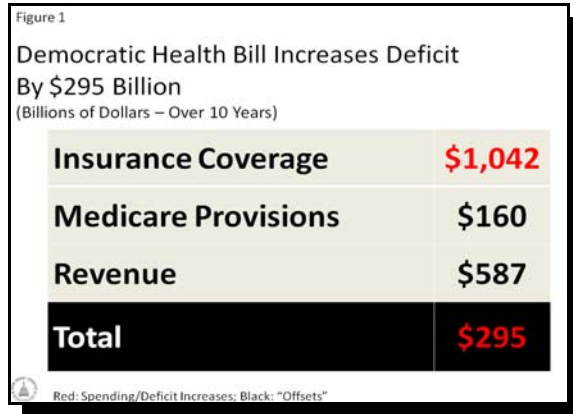
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THE HOUSE 'TRI-COMM' BILL A NEW TRILLION-DOLLAR HEALTH CARE ENTITLEMENT (H.R. 3200)

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Even without a complete cost estimate, the House Ways and Means Committee today plowed ahead with its plan to create a huge new health care entitlement and initiate the government takeover of the health care sector. The bill was developed by three committees that have jurisdiction over health care issues, and often is referred to as the tri-committee, or "Tri-Comm," bill. What *is* known about the bill demonstrates its potentially devastating effects.

□ Based on preliminary estimates by the Congressional Budget Office [CBO] and the Joint Committee on Taxation [JCT], the measure will cost at least \$1 trillion; will raise taxes by \$587 billion; would impose \$160 billion of what the Democrats would call "cuts" in Medicare – *and would still raise the budget deficit by \$295 billion.* (See Figure 1.)

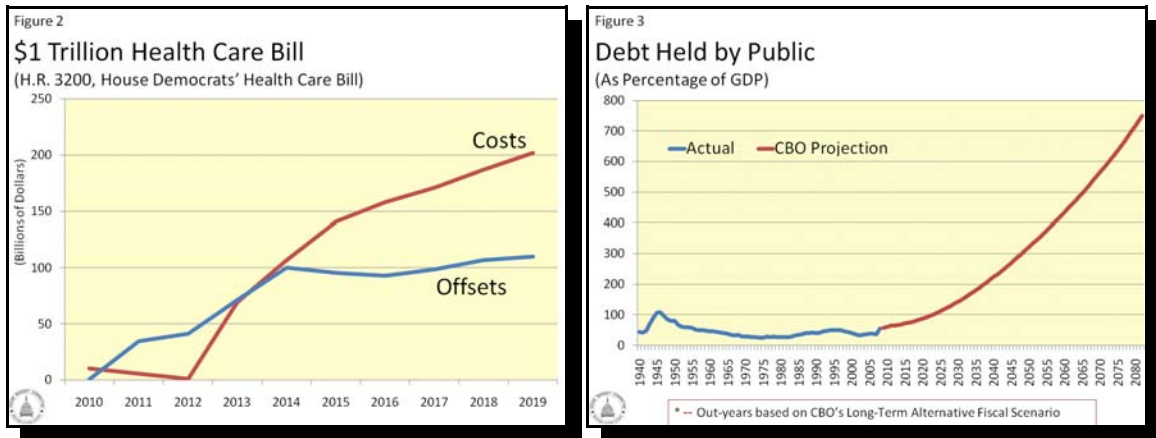


□ This violates one of the President's basic principles: that health care reform should not increase the deficit. During a House Budget Committee hearing last month, Office of Management and Budget Director Orszag said: "And so, just to reinforce the point, what we are saying is that health care reform must be deficit neutral using CBO-scored, hard, scoreable offsets, over 10 years and in the 10th year."¹

□ More troubling is the trend. The bill's cost grows more rapidly than its offsets, according to preliminary figures by CBO and JCT. By 2019, the bill's cost exceeds the offsets by nearly \$100 billion in that year alone (see Figure 2, next page). In questioning CBO Director Elmendorf today, Congressman Ryan asked about the bill's long-term fiscal outlook. Director Elmendorf noted that, in the 10th year, the bill's spending is growing at 8 percent while offsets are only growing at 5 percent. The Director also noted that

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

Medicare offsets would need to be growing at around 10 percent in the 10th year to keep pace with the new spending in the bill beyond the 10 year window.



- 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 probably 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.)

Today, 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?”

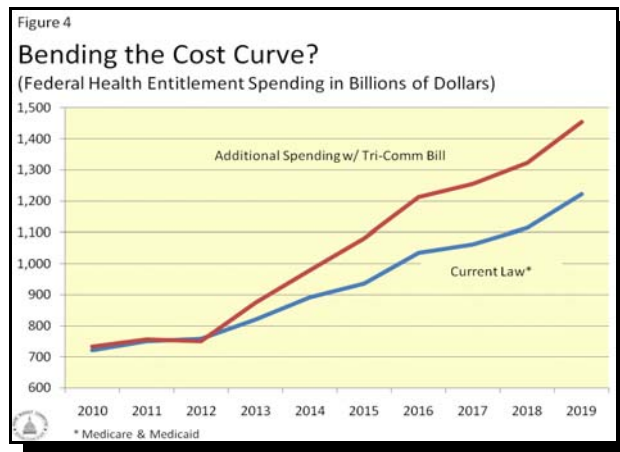
² Instead of promoting competition, these benchmarks will become common denominators toward which private health plans will gravitate, reducing options and innovation. In effect, even people who buy private insurance will wind up essentially with coverage shaped by government bureaucrats.

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



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