

THE COMMITTEE ON THE BUDGET

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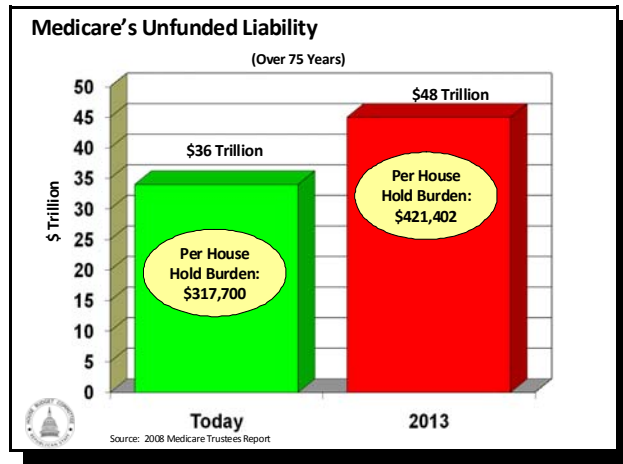
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TURNING OFF THE MEDICARE TRIGGER:
 WORSE THAN DOING NOTHING

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Despite their repeated claims of fiscal “responsibility,” the Democratic leadership has scheduled a vote rejecting *even consideration of* a proposal to slow the unsustainable growth of Medicare spending. The resolution, expected on the floor Thursday, would turn off an automatic “trigger” that requires the administration and Congress to address the Medicare Trustees’ warning of Medicare’s fiscal problems. The administration has done its part, but the Democratic leaders continue to stifle any potential reform. Instead, the House Rules Committee has reported H.Res. 1368, which turns off the trigger for the remainder of this Congress, *preventing a vote on any substantive reform legislation.*

The House would have needed to come up with just \$1.5 billion in savings in the Medicare Program *in 1 year* to satisfy the trigger requirement – a 0.2-percent savings in Medicare outlays in 2013. By turning off the trigger, the Democratic leaders are actively working to defeat efforts to reform Medicare – and because this is the first time the trigger has been pulled, the Democratic leaders’ actions set a dangerous precedent for the Medicare Program and the U.S. economy.



- **Medicare’s Unsustainable Path.** In 2007, Medicare outlays were 13.6 percent of total Federal outlays. Without changes, Medicare will grow to consume 17.9 percent of total Federal outlays by 2018 – almost one-fifth of the entire Federal budget.
 - The Medicare Trustees estimate the unfunded liability of the Medicare Program at \$36 trillion over 75 years, a per-household burden of approximately \$317,000. Without reform, this number skyrockets to nearly \$48 trillion by 2013, or about \$421,402 per household. (See chart above)
 - Former Comptroller General David M. Walker has noted that each year Congress does not act to reform its entitlement obligations, the size of the debt imposed on the next generation of Americans grows by \$2 trillion.
 - The Medicare hospital insurance trust fund goes bankrupt in 2019 – just over a decade from now.

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- The Congressional Budget Office [CBO] estimates that Medicare *alone* will constitute 17 percent of gross domestic product [GDP] by 2082 – a sixfold increase from 2006, and nearly the same percentage of GDP currently absorbed by the *entire* Federal budget today.
 - **How the Trigger Works.** The Medicare Modernization Act [MMA] required the administration to submit legislation – following two consecutive Medicare Trustees reports projecting the program’s spending from general revenue would exceed 45 percent – to address Medicare’s financial instability. *The MMA also requires Congress to vote on the President’s proposal, or an alternative.*
 - The Republican and Democratic leadership in both the House and Senate introduced the President’s Medicare Funding Warning Response Act (H.R. 5480), which would slow Medicare spending by increasing transparency, reducing government subsidies for prescription drugs for Medicare’s wealthiest beneficiaries, and lowering medical liability premiums.
 - Both CBO and the Office of the Actuary at the Centers for Medicare and Medicaid Services have estimated that the President’s proposal would address the funding warning.
 - Committees of jurisdiction were to have acted on the legislation by June 30, with floor consideration of the Medicare Funding Warning Response Act, *or another proposal from any Member of Congress addressing the problem*, by July 30. But the Democratic leadership is refusing to consider *any* trigger legislation.
 - **Making the Problem Worse.** The Democratic leadership has followed the path set by their budget resolution in failing to either consider the President’s Medicare proposal, or offer a proposal of their own, to address Medicare’s fiscal crisis.
 - By failing to address Medicare spending in their budget resolution, the Democratic leaders are allowing Medicare’s unfunded liability to grown from \$36 trillion today to \$48 trillion over the next 5 years.
 - Not only have they done nothing to address Medicare spending, they just created a new \$20-billion Medicare slush fund in their “Doc Fix” bill (H.R. 6331), exacerbating Medicare’s fiscal crisis.
 - **Another Step Away from Needed Reform.** While CBO has concluded that “changes in Federal law will be necessary to avoid or mitigate a substantial increase in Federal spending on Medicare,” Democrats continue to kick the can down the road.
 - When the Medicare trustees released their report noting the program’s \$36 trillion in unfunded obligations, Ways and Means Health Subcommittee Chairman Stark responded by saying: “I don’t think it makes any difference what [the trustees] say” about the precarious state of Medicare’s funding.
 - The Democratic leadership would rather increase the Federal debt than take reasonable steps to slow the growth of the Federal Government’s huge entitlement programs.
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