



REPUBLICAN CAUCUS

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## ANALYSIS OF CBO PRELIMINARY COST ESTIMATE OF H.R 4872

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In an underhanded move to get a jump on spinning the numbers for partisan gain, the House Democratic Leadership this morning leaked to the press the confidential – and unofficial – Congressional Budget Office [CBO] preliminary estimate of their health care overhaul. As a result, CBO was forced to make available their preliminary cost estimate for legislation that has still not been released.

This is the latest in a long series of abuses by the Democratic Majority to jam through their health care bill by any means necessary.

Now that the CBO has released their preliminary cost estimate, let's review what House Majority Whip James Clyburn (D-SC) is so "giddy" about.

- ***Expands entitlement spending by roughly \$1 trillion.***
- ***Hits the American people with over half-a-trillion in tax hikes.***
- ***Uses Medicare as a piggy bank – over half-a-trillion in Medicare cuts to create a new entitlement.***
- ***Includes a series of egregious gimmicks that hides the true cost of the bill.***

### New Spending

- Nearly \$1 trillion in new entitlement spending, \$65 billion more than the Senate-passed bill.
- \$17 billion in additional spending in excess of the \$449 billion for federal subsidies to purchase government-run health coverage.
- \$48 billion in additional spending for Medicaid, a program already growing at 23 percent this year, and exacerbating cash-strapped state budgets.

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## **New Tax Hikes**

- More than \$500 billion in new tax increases.
- These tax hikes on families, workers and businesses will hit Americans already facing record-high unemployment and continued economic hardship.

## **Spending Gimmicks**

- The CBO is tasked to score legislation presented – and what the Majority presented to the CBO is legislation full of spending gimmicks and hidden costs. Ranking Member Ryan exposed the smoke and mirrors at the Blair House health care summit on February 25, 2010 – and a credible answer to Ryan’s concerns have yet to be addressed.
- The following problems remain in the latest iteration of the health care overhaul:

## **Timing Gimmicks**

- The legislation includes ten years of tax increases and ten years of Medicare cuts to pay for six years of spending. The true ten-year cost when subsidies kick in? \$2.4 trillion.
- The CBO cost estimate of the health care overhaul is derived from the March 2009 baseline – instead of the March 2010 baseline, which has already been released. The outdated cost estimate hides the true price tag, and the American taxpayers deserve to know how much they’re being asked to shoulder.

## **Double-Counting: Having It Both Ways**

- \$53 billion in “savings” is claimed by counting increased Social Security payroll revenues. These dollars are already claimed for future Social Security beneficiaries, and using these funds to offset the cost of this bill assumes we’re not going to pay future Social Security benefits.
- \$70 billion in savings is claimed from the CLASS Act – long-term care insurance. These so-called savings are not offsets, but rather premiums collected to pay for future benefits.
- More than \$500 billion in Medicare cuts cannot be counted twice. Using Medicare as a piggy bank, the legislation raids nearly a half-trillion dollars from retirees’ health coverage to fund the creation of another open-ended health care entitlement.
  - ▶ The updated legislation includes \$132 billion in cuts to the Medicare Advantage program representing nearly \$14 billion more in cuts than the Senate-passed bill.

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- Democrats claim that their Medicare cuts will be used both to extend the program's solvency and to reduce the cost of the bill – they can't have it both ways.
  - When you strip away the double-counting of Medicare cuts, the so-called savings from Social Security payroll taxes, and the CLASS Act, the deficit increases by \$433 billion over first ten years.

### **Hidden Spending**

- This preliminary estimate does not include at least \$70 billion in appropriations that will be required to implement the legislation.
- All early iterations of the health care legislation in both the House and Senate included the prevention of scheduled cuts in Medicare physician payments – known as “the doc fix.”
- The Office of Management and Budget has estimated that the cost of the doc fix would add an additional \$371 billion to the cost of the legislation. With the price tag beyond what most Americans could handle, the Majority decided to simply remove this costly provision and deal with it in separate legislation.
- The preliminary CBO cost estimate of H.R 4872 assumes cuts in physician reimbursement rates by 21 percent this year, and continued cuts in the years ahead.
- Ignoring this additional cost does not remove it from the backs of taxpayers.  
*Hiding spending doesn't reduce spending.*

This bill does not reduce deficits. This bill does not control costs. According to the Administration's CMS actuary, the legislation increases national health expenditures by \$222 billion. This bill adds a new health care entitlement when we have no idea how to pay for the entitlements we already have.

This massive overhaul will enlarge government, increase federal spending, deficits, and debt, and fuel a dependence on the federal government at odds with our historic commitment to individual liberty. It constitutes a government takeover of the health care sector and infringes on the doctor-patient relationship. The American people cannot afford the costly consequences of this health care debacle.