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GOP Budget Rigs the Game for Powerful Special Interests While Cutting Jobs and Dismantling Opportunity for Everyone Else

The reckless Republican budget casts a dark shadow over the American Dream. It is a direct attack on job creation and condemns America to economic decline by providing perverse tax incentives to ship American jobs overseas while shortchanging investments in jobs here at home. This budget violates our commitments to seniors, punishes Americans struggling to stay afloat economically, and steepens inequality by protecting wealthy special interests as it takes resources away from everyone else. It raises taxes on middle-class families with children by an average of at least \$2,000 in order to cut tax rates by one-third for households with incomes over \$1 million. This budget is the Republican declaration of class warfare. It violates the fundamental promise that every hard-working American should have a fair shot at success. And its claim of reaching “balance” is a sham.

SUMMARY

UNDERMINES JOB CREATION AND DISMANTLES THE LADDER OF OPPORTUNITY

- Guts education, research, infrastructure, and other investments critical to sharpening America’s competitive edge by 24 percent over the 2016-2024 period; 30 percent by 2024
- Cuts \$260 billion from higher education, making college less affordable for millions
- Slashes \$52 billion from transportation investments in 2015
- Rejects extending Emergency Unemployment Compensation and increasing minimum wage
- Rejects jobs and economic benefits of bipartisan immigration reform
- Puts veterans’ health care at risk of \$146 billion cut due to low overall funding levels

WORSENS INEQUALITY AND PUNISHES PEOPLE STRUGGLING WITH POVERTY

- Increases hunger – cuts food assistance by \$137 billion
- Medicaid cuts jeopardize health security for one of every three children in America
- Raises middle-class taxes to cut tax rates for the wealthy
- Rejects adequate oversight of large financial institutions

BREAKS PROMISES TO SENIORS

- Increases seniors’ costs for prescription drugs and preventive care
- Ends Medicare as we know it, converting it to a voucher system
- Raises Medicare eligibility age to 67
- Puts seniors who rely on Medicaid at risk

THROWS AMERICANS BACK ON THE MERCY OF INSURANCE COMPANIES

- Takes coverage away from millions who have it today and repeals consumer rights

USES SHAM ACCOUNTING TO CLAIM “BALANCE” BY 2024

- Republicans cannot have it both ways on the Affordable Care Act

UNDERMINES JOB CREATION AND DISMANTLES THE LADDER OF OPPORTUNITY

Guts Investments Critical to Powering the Economy and Sharpening America's Competitive Edge

— The Republican budget undermines America's global economic competitiveness and harms job creation by gutting the category of federal funding that includes investments and activities such as education, workforce training, infrastructure, scientific research, public health, clean energy, advanced manufacturing, and public safety. The budget cuts non-defense discretionary funding for 2016 by more than 15 percent below the level the President has called for to ensure strong economic growth. And year after year, the Republican budget gets progressively worse. The budget's total cut to non-defense appropriations over 2016-2024 is \$1.3 trillion, or 24 percent, below the amount needed to maintain 2014 funding levels adjusted for inflation. The cut in the year 2024 is a full 30 percent below the amount necessary to maintain 2014 service levels. As a share of the economy, this budget reduces spending on these investments to a level almost 40 percent lower than at any time in the last 50 years. These cuts will not just affect vital services — the Congressional Budget Office (CBO) has estimated that these misguided austerity policies will mean fewer jobs in the short term.

If the funding cuts were applied proportionally, they would result in severe service reductions across a broad array of vital investments and services. And if Republicans want to avoid cuts in some of these areas, their budget will simply force larger cuts elsewhere. The remainder of this section of this report includes illustrative examples of what these cuts could mean.

Undermines Elementary and Secondary Education, Training, and Early Childhood Investments —

Education is the best investment we can provide for our children and for our economy, yet the Republican budget slashes education as well as services that help children arrive at school ready to learn. Its deep cut to non-defense appropriations could devastate key programs that help students learn and achieve — programs like Head Start, which provides comprehensive early childhood services; Title I that funds additional reading and math teachers in low-income schools; and special education to ensure that every child with disabilities has the opportunity to reach his or her full potential. These cuts will not only immediately harm education for children and cost us teaching jobs, they will also affect the quality of our future workforce as well.

The Administration has calculated how the Republican budget's 15-percent cut to 2016 non-defense appropriations would affect services if applied on a proportional basis today:

- **Head Start** would serve about 170,000 fewer of the nation's most vulnerable children.
- **Title I**, which helps ensure students receive support to meet challenging academic standards, would be unable to support the equivalent of roughly 8,000 schools and 3.4 million disadvantaged students, potentially resulting in 29,000 fewer teachers and aides with jobs.
- **Special Education** — Schools across the country would lose funding for 21,000 special education teachers.
- **Job Training** — More than 3.5 million fewer individuals would receive employment and training services through Department of Labor job training programs.

- **The Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)**, which provides critical food assistance and nutrition education to pregnant and postpartum women, infants and children, would assist at least 200,000 fewer postpartum women and children. Adequate early childhood nutrition and is a crucial factor in children’s ability to thrive and succeed in school.

Starting in 2016 and continuing throughout the budget window, the Republican budget’s average 24 percent cut in non-defense appropriations translates into a cut of \$219 billion for education and job training (budget function 500). Applied proportionally to selected education programs over this time frame, this would mean:

- **\$19 billion cut from early childhood education through 2024** – This cut to Head Start and Early Head Start stands in contrast to the President’s 2015 budget, which not only increases this funding but also includes a \$76 billion 10-year initiative for partnerships with states to provide universal pre-K services.
- **\$89 billion cut from all of K-12 education through 2024, including special education.**
 - **\$28 billion cut from Individuals with Disabilities Education Act (IDEA)** – Current IDEA funding already provides only about 16 percent of the average per pupil expenditure for special education, far below the 40 percent “full funding” pledged when Congress passed the IDEA in 1975.
 - **\$35 billion cut from Title I** — This deep cut would reduce the program’s ability to provide additional teachers and other supports to help students in low-income schools succeed.

Puts College Out of Reach for Millions of Students — At a time student loan debt totals more than \$1 trillion, the Republican budget slashes grants and charges students more interest on their loans. The Republican budget guts current policy support for higher education by more than \$260 billion, putting a college education out of reach of the millions of students who rely on Pell grants, federal student loans, and higher education tax credits. That total includes cuts to the following higher education assistance:

- **Cuts Pell grants by \$145 billion** – Pell grants are the cornerstone of federal student aid, and help make obtaining a college degree a reality for almost 10 million college students each year. Yet the Republican budget cuts \$145 billion from Pell grants over the budget window. That total reflects a \$55 billion discretionary funding cut through their 24 percent cut to non-defense appropriations through 2024, plus another \$90 billion from eliminating the one guaranteed source of Pell Grants: the \$90 billion that Congress already enacted – and paid for – to provide mandatory annual inflationary increases to the maximum Pell grant. The Republican budget claims to freeze the maximum Pell grant forever, but does not provide the additional appropriations that would be needed just to maintain the current \$5,730 maximum grant, even before considering the unallocated cut to all non-defense funding.
- **Charges low-income students more for loans** – The Republican budget makes college more expensive for needy students by charging interest on their loans while they are still in

college. This cuts student loan support by \$41 billion over ten years. According to CBO, students borrowing \$23,000 in subsidized loans will leave school owing an additional \$3,800 in accrued interest.

- **Increases student loan debt** – In addition, the budget will increase student debt by eliminating \$7 billion in expanded student loan repayment benefits that Congress enacted – and paid for – in 2010. More than two thirds of those graduating from college in 2012 had student loan debt, and the average was a whopping \$29,400.
- **Lets higher education tax cut expire** – Unlike the President’s budget, which includes \$67 billion to extend the American Opportunity Tax Credit, the Republican budget lets it expire. This tax credit helps defray college costs for 11.5 million working- and middle-class students by an average of more than \$1,100 each year.

Neglects Scientific Research and Development (R&D), Clean Energy, and Manufacturing — The Republican budget is a missed opportunity to invest in scientific R&D, clean energy, and manufacturing – keys to sharpening America’s competitive edge in a global economy. The budget cuts federal investments in R&D, which the nonpartisan CBO found help expand the economy and fund research that is essential to future generations of scientists.

The Republican budget’s 15-percent cut to 2016 non-defense funding, if applied on a proportional basis today, would mean:

- The **National Institutes of Health (NIH)** could be forced to reduce the number of new grants awarded by about 1,400, slowing research that could lead to new treatments and cures for diseases such as cancer, Alzheimer's disease, and diabetes. More than 80 percent of funds appropriated to NIH flow out to the broader research community, supporting the work of more than 300,000 research personnel whose jobs would be in jeopardy under the funding levels in this budget. Last year, the sequester forced NIH to turn down hundreds of the best new research proposals from the nation’s leading labs and medical schools.
- The **National Science Foundation** could be forced to issue thousands fewer research awards, affecting tens of thousands of researchers, students, and technicians. The National Science Foundation funds approximately 20 percent of research in universities throughout the country. The budget’s disinvestment in science could discourage young people from pursuing careers in science and cause the United States to lose a pool of innovative talent.

The Republican budget criticizes government investments in clean energy, while ignoring the tax breaks big oil companies have benefited from for decades, even as their profits exceeded \$1 trillion over the last ten years. Funding for energy efficiency and clean energy technologies improves our energy security and boosts economic growth. The clean energy economy is manufacturing and export-intensive, encompassing approximately 26 percent of all clean energy jobs, compared to 9 percent in the overall economy. China invested \$54.2 billion in clean energy last year and the U.S. invested \$36.7 billion – a 9 percent decline from 2012.

This budget lacks investment in manufacturing, ignoring how improvements help companies increase productivity and competitiveness. Manufacturing is a critical part of the economy, with the highest multiplier effect among economic sectors, accounting for almost 60 percent of U.S. exports.

Slashes Transportation Investments — The Republican budget makes deep cuts over ten years to investments in our federal infrastructure, paralyzing our ability to maintain and modernize our infrastructure, create jobs, and grow our economy. For 2015, the budget slashes transportation investment by approximately \$52 billion— stopping new projects and throwing construction workers off their jobs. Further, the Republican budget assumes spending on highway trust fund programs would drop to the level that can be supported by trust fund revenues. Our aging infrastructure system cannot keep up with the demands of our dynamic economy, and we risk falling behind an increasingly competitive global economy if we underinvest in our infrastructure needs. At a time when so many Americans are ready to work, it makes no sense to defer these investments until roads and bridges fall apart, and to forgo the economic opportunities that would have been created in the interim.

Additionally, we do not want to just maintain our system's current performance. We want to continue to do better and lay the groundwork for strong future economic growth, just as our predecessors did in using federal resources to build roads, canals, the transcontinental railroad, the interstate highway system, and urban transit systems.

Abandons Unemployed Workers Struggling to Find Jobs — Republicans allowed Emergency Unemployment Compensation to expire at the end of 2013 without even a vote in the House. Immediately, 1.3 million workers and their families lost benefits; that number is now more than two million, and thousands more are continuing to lose benefits each month. The Republican budget continues to refuse to extend these necessary benefits, which will not only hurt affected workers and their families but also cost 200,000 jobs this year.

Rejects Economic Benefits of Immigration Reform — The budget squanders an opportunity to unleash more economic growth immediately by rejecting comprehensive immigration reform. CBO estimates comprehensive reform like H.R. 15 – the Border Security, Economic Opportunity, and Immigration Modernization Act – would reduce the deficit by \$900 billion over the next two decades and boost the economy by 5.4 percent. Besides the positive effects to the economy and the budget, immigration reform is the right thing to do. The current immigration system is broken. It keeps families of legal immigrants and U.S. citizens separated, it allows for the exploitation of undocumented workers, it discourages legal immigration, and it keeps millions of hardworking, law-abiding families hiding in the shadows.

Fails Veterans — The Republican budget only gives lip service to our nation's veterans by making vague statements of how programs serving them are the highest priority. The numbers in their budget tell a different story. While their budget matches the President's 2015 discretionary level for veterans' programs, it cuts \$1.7 billion below the President's 2016 level. More concerning are the hundreds of billions of dollars in unspecified cuts to nondefense discretionary funding that the Republican budget contains and how they might affect the benefits and services our veterans

depend on. The Republican budget also rejects the President's proposed Veterans Job Corps, which aims to reduce the high unemployment rate among veterans.

- The Republican budget's 24 percent cut to non-defense appropriations over the 2016-2024 period, if applied proportionally, translates to a \$146 billion cut from veterans' health care.

Abandons Low-Wage Workers — The budget fails to increase the minimum wage, even as inflation continues to reduce its value to the millions of Americans who rely on minimum-wage jobs to feed their families.

Weakens Public Safety — The Republican budget's 15-percent cut to 2016 non-defense funding, if applied on a proportional basis today, would mean:

- 3,300 fewer Customs and Border Protection Officers would be funded, negatively affecting travel and trade at our nation's air, land, and sea ports of entry. A decrease in officers of this magnitude could lead to tens of thousands fewer enforcement actions taken.
- Over 3,500 fewer federal agents would be funded to combat violent crime, pursue financial crimes, and ensure national security, as well as more than 3,100 fewer prison guards to maintain the safe and secure confinement of inmates in federal prisons.

Punishes Federal Employees for Their Loyal Service — To save \$125 billion, the Republican budget continues the assault on federal workers by yet again increasing pension contributions for each employee—effectively cutting their pay. Additionally, the budget calls for eliminating the Student-Loan Repayment program for federal workers and slashing the federal workforce by hiring only one new employee for every three who leave government service. Lastly, the resolution calls for the elimination of the FERS Social Security supplement available to workers who retire before age 62. After successive pay-freezes, pay reductions and benefit cuts amounting to almost \$140 billion, no one group has been asked to contribute more to deficit reduction than federal employees.

WORSENS INEQUALITY AND PUNISHES PEOPLE STRUGGLING WITH POVERTY

The budget punishes people with the least power in Washington in order to reward those with the most. It refuses even one penny of deficit reduction from closing special-interest tax breaks like those for corporate jets, big oil companies, and overseas tax havens. Instead, it plows any of those potential savings into tax rate cuts that mostly benefit the wealthy. Meanwhile, it slashes anti-poverty programs based on the incorrect premise that cutting supports for people in poverty will somehow magically increase job creation and employment. Slashing the safety net does not create jobs.

Taking From Those Who Have Little

Increases Risk of Hunger — The Republican budget cuts the Supplemental Nutrition Assistance Program (SNAP) by \$137 billion over ten years. Just last year, Congress rejected Republican plans to cut \$40 billion from SNAP as part of the Farm Bill, reducing the cuts to \$8 billion instead. SNAP currently helps 47 million Americans purchase an adequate diet. More than 80 percent of

beneficiaries are either aged, disabled, children, an adult caring for someone who is disabled or a child under age six, or are working. Under the Republican plan, funding would be cut very deeply relative to projected levels of need, which already assume the program's scope and cost will decline as the economy heals. The only way to achieve these savings is to throw some people off the program entirely, reduce the amount of assistance per person, or some combination of both. The ultimate outcome is the same: families struggling to stay afloat will find it more difficult or impossible to afford a nutritionally sound diet.

Hides Impact of Massive Cuts Behind Rhetoric of State “Flexibility” — The Republican budget cuts SNAP and the base Medicaid program by converting them into fixed funding streams, or block grants, that likely will lack the ability to respond fully to an economic shock, such as a recession. Converting these programs to block grants abdicates federal responsibility for the people they serve and will strain state budgets. This approach allows Republicans to avoid spelling out the details of whose benefits will be cut, leaving difficult decisions to states.

People would be especially vulnerable to benefit cuts during economic downturns. When state economies lag, unemployment increases – this has the effect of increasing eligibility for Medicaid and SNAP and decreasing state tax revenue. Under a block grant, states might dramatically cut eligibility or benefits during economic downturns. During the recent recession, Temporary Assistance for Needy Families (TANF), a state block grant, did not keep up with the increased need, whereas entitlement programs, such as SNAP, were able to expand to provide relief for additional families.

The Republican block-grant plan will slash \$732 billion from the base Medicaid program over the next decade (in addition to repealing the Affordable Care Act expansion, discussed below) – amounting to a cut of 10 percent in 2016, rising to more than one-quarter in 2024. Up to one-third of Medicaid enrollees could lose coverage under this type of plan. Half of the 60 million people who rely on Medicaid for health insurance coverage are children – one out of every three children in the country is covered by Medicaid. Block-granting does nothing to reduce health costs. State Medicaid programs are already very efficient and cost-effective, and states already have a lot of flexibility in how they run their program. In fact, nearly every state has a current waiver of Medicaid rules that, for example, allows them to use a managed-care delivery system, limit benefits to certain populations, or provide long-term care in community settings. A dramatic cut in health care support for people who depend on Medicaid will simply impose serious financial hardship on them and their families.

Increases the Ranks of the Low-Income Uninsured — In addition to the block-grant cut to the base Medicaid program described above, the Republican budget repeals the Affordable Care Act's expansion of Medicaid. The Medicaid expansion gives states the option to provide coverage to people who have incomes up to 138 percent of the federal poverty level. Fifty-one percent of the uninsured have incomes below this limit and many of them have mental health needs. Millions of Americans have already gained health insurance thanks to this expansion. Under the Republican budget, all of these people would lose their insurance coverage – jeopardizing their health by denying them routine preventive screenings and treatment for mental health conditions. Repealing the expansion would also leave states with the burden of absorbing the increased costs of providing emergency care to the uninsured.

Ignores Positive Effects of Anti-Poverty Programs — Anti-poverty programs have made a major positive difference in the lives of tens of millions of people – lifting 45 million people out of poverty in 2012. Republicans downplay the success of these programs at every opportunity.

- **Anti-poverty programs reduce poverty.** The main statistics that Republicans use to assess the so-called War on Poverty leave out important components of the safety net. Importantly, the change in the safety net over time has shifted more resources into areas that are not counted in official measures of poverty, which leads to understating safety-net programs' impact. The Council of Economic Advisers released a report on the War on Poverty, which shows, using a comprehensive measure, that poverty has fallen by more than one-third in the past fifty years. In 2012, anti-poverty programs cut the number of people in poverty nearly in half. In terms of deep poverty – those living below half the poverty line – the safety net had an even bigger effect, reducing the rate of deep poverty from about one in five Americans to about one in twenty.
- **Medicaid improves financial and health security.** Medicaid coverage virtually eliminates catastrophic out-of-pocket medical expenditures. It decreases the risk of having an unpaid medical bill sent to a collection agency by 25 percent. This benefits not only hard-working families, but also health care providers, hospitals, and all insured Americans since the vast majority of such debts are never paid and those bills must be absorbed by the rest of the health care system. Medicaid also improves access to health services and the health of enrollees. People with Medicaid are almost twice as likely to have a regular source of health care compared to the uninsured, and they have a usual source of care at rates that are comparable to people with private insurance. Medicaid increases the use of critical preventive services, such as prenatal care, and it lowers infant, child, and adult mortality rates. The expansion of Medicaid to low-income pregnant women reduced the number of babies born at a low birth weight - reducing the need for expensive neonatal care. People with Medicaid report being in better health and they are 30 percent less likely to screen positive for depression.

Giving to Those Who Have Much

Raises Middle-Class Taxes to Cut Tax Rates for the Wealthy — If we look behind the curtain of the Republican budget, it becomes clear that this budget's vision of so-called "comprehensive tax reform" will hit the middle class hard to reduce tax rates at the top.

The Republican budget makes a number of assumptions about tax policy that have significant costs, including repeal of all Affordable Care Act revenues, Alternative Minimum Tax repeal, and reducing the corporate tax rate and the top individual income tax rate to 25 percent. All told, these add up to more than \$4 trillion of tax cuts, and it could easily be significantly more. Yet the budget asserts that there will be no net reduction in revenues. That means the budget implies an unspecified tax increase in the neighborhood of \$4 trillion over ten years. As a result, either Americans are going to face a massive tax increase under the Republican budget, or the budget won't come close to balancing.

Analysis by the non-partisan Tax Policy Center of past plans to reduce the top income tax rates to 25 percent has shown that it is impossible to achieve such a reduction and be revenue-neutral without sharply reducing tax deductions and credits for middle-income taxpayers. Those reductions would likely lead to a net tax increase on those families, even if their marginal tax rate is reduced. The analysis indicates such “comprehensive tax reform” plans would likely raise taxes on middle-class families with children by an average of at least \$2,000. This tax increase on the middle class would fund upper-income tax rate reductions that would give millionaires an average of at least \$200,000 in tax cuts, according to an analysis of the Republican budget by Citizens for Tax Justice.

Supports Perverse Tax Incentives to Ship Jobs Overseas — The Republican budget provides incentives in our tax system that encourage multinational companies to ship profits, intellectual property, and thousands of jobs overseas while costing the American taxpayer billions of dollars.

Rejects Adequate Oversight of Large Financial Institutions — The Republican budget makes clear that financial accountability designed to prevent another financial crisis is not a top priority given its decreases in funding to mission-critical work at the Securities and Exchange Commission, the Commodity Futures Trading Commission, and the Consumer Financial Protection Bureau. The Republican budget guts regulations and relies instead on the altruism of Wall Street to avoid the risky activities that brought the entire global economy to its knees just a short time ago. After an era of regulatory failure, the answer is not to deregulate even further. We cannot go back to hoping that industry players will police themselves out of self-interest, because the cost of their failures is borne not only by executives and shareholders but by our economy as a whole. In addition, further cuts will make it impossible to carry out Dodd-Frank Wall Street reforms and will put an end to the industry-financed wind-down of failed institutions, risking future taxpayer-financed bailouts of too-big-to-fail banks.

BREAKS PROMISES TO SENIORS

Increases Seniors’ Prescription Drug Costs — The budget increases seniors’ prescription drug costs by re-opening the Medicare Part D coverage gap, or “doughnut hole.” The budget does this by repealing all of the Medicare benefit improvements provided by the Affordable Care Act – even though it retains the Medicare savings in that law that funded those improvements. The Affordable Care Act reduces prescription drug costs for seniors by gradually closing the Part D coverage gap by 2020. Since the law was enacted, nearly eight million people with Medicare have saved nearly \$10 billion on prescription drugs. Under the Republican budget, Medicare beneficiaries with high prescription drug costs will pay an average of nearly \$1,200 more per year out of pocket for their drugs. Increased drug costs can reduce compliance with medication regimens, leading to serious health issues and increasing costs for inpatient and outpatient services.

Increases Seniors’ Costs for Preventive Care — The Republican budget makes seniors pay more for crucial preventive health services. The Affordable Care Act eliminated cost sharing for key preventive services, such as cancer screenings. In 2013, an estimated 37.2 million people with Medicare took advantage of at least one preventive service with no cost sharing. Prior to the Affordable Care Act, seniors had to pay deductibles or copayments on many important preventive

services. These screening services help patients catch problems early and prevent others, which is better for their health and saves money down the road. But the Republican obsession with repealing all of the Affordable Care Act's benefit improvements will increase costs to seniors for these important preventive services.

Ends Medicare As We Know It —The Republican budget promises to convert Medicare to a voucher system. Republicans have included a Medicare voucher plan in their budget for the past several years, but the details vary from year to year. This year's budget was vague about the specifics. Available information indicates the budget's plan is similar to an illustrative option included in a September 2013 CBO report, except that the budget also assumes – like last year's budget – that total spending growth per Medicare beneficiary is capped at growth in GDP plus 0.5 percent.

- **Defined Medicare benefit is replaced with defined contribution.** Everyone becoming eligible for Medicare in 2024 or later would receive a fixed payment, or voucher, toward the purchase of either a private health plan or traditional Medicare. The payment would be set at the local average bid of participating health plans, with traditional Medicare treated as a plan bid.
- **Higher premiums charged for traditional Medicare.** CBO projects the annual Part B premium will be \$1,600 in 2020 under current law. If the Republican plan were in effect in 2020, the average Part B premium charged in that year across the country for the traditional Medicare option would be 50 percent higher, or \$2,400 – an average increase of \$800 to use traditional Medicare. A lot of beneficiaries would be deterred by this and would choose private plans instead, especially in areas of the country where the differential is even larger. Those who end up staying in traditional Medicare would pay 25 percent more, on average. Seniors in poor health tend to prefer traditional Medicare to private plans, meaning the sick and the frail would end up paying a surcharge to use the option they think best meets their needs.
- **Traditional Medicare will go into an insurance “death spiral.”** Private plans in Medicare already employ strategies to “cherry pick” the healthiest enrollees. Such tendencies would get worse under premium support. The sick and frail seniors remaining in what's left of Medicare under the GOP plan will face the risk of skyrocketing costs and less access to care. This will send the traditional program into an insurance death spiral as the pool of patients left in Medicare becomes sicker and more costly over time.
- **Reducing long-term Medicare spending through vouchers means shifting costs to seniors.** Republicans preach doom and gloom about Medicare's finances and claim that their plan is the only way to “save” Medicare. But they provide no evidence that simply converting Medicare into a voucher program would improve Medicare's long-term financing. The CBO report on this type of plan says the magnitude of future savings from slowing growth through the premium support mechanism itself is “highly uncertain,” particularly over the long term. That is why this budget, just like previous ones, can only get significant long-term savings by capping the growth of the voucher payment over time at a level less than the expected growth in health care costs – essentially breaking the guarantee that a senior's

Medicare benefit would keep pace with costs over time. If health costs grow at a faster rate than the cap, future beneficiaries would either have to pay thousands of dollars more out of their own pockets on premiums for a plan that provides the current Medicare benefit package, or else buy plans that may leave them significantly underinsured. There is no evidence that seniors would be able to keep their costs down without skimping on necessary medical care. In 2013, half of Medicare beneficiaries had incomes of less than \$23,500.

- **Private plans' record with seniors has been unimpressive.** There is no reason to believe that the Republican budget's plan for unfettered market competition will result in affordable, acceptable coverage for seniors. Prior to the creation of Medicare in 1965, almost half of all American senior citizens had no health insurance. While health costs were rising steadily, the market did not respond to the cost constraints faced by seniors by creating an affordable insurance product that provided them adequate protection. Insurers did not rush to cover seniors.

Since 1965, we have experimented with private competition within Medicare, through the Medicare Advantage program and its predecessors. But in many areas of the country, private plans simply would not compete unless Medicare paid them more. Private plans were paid 13 percent more than traditional Medicare in 2010, before the Affordable Care Act reformed these payments. The cost of overpayments to private plans – about \$1,000 per Medicare Advantage beneficiary – was passed on to taxpayers and the three-quarters of beneficiaries with traditional Medicare, who paid higher Part B premiums to subsidize private plans. Recent research indicates that a policy of increasing payments to plans mostly served to enrich advertising firms and insurance companies; very little of the extra money reached consumers in the form of better benefits.

Converting Medicare into a voucher system will have drastic negative effects on our seniors. We cannot solve our budget challenge simply by unloading costs and financial risks onto elderly and disabled individuals.

Raises Medicare Eligibility Age — The budget increases the eligibility age for Medicare starting in 2024, letting it rise gradually to age 67.

Puts Seniors Who Rely on Medicaid at Risk — The Republican budget's \$732 billion cut to the base Medicaid program puts at risk the senior citizens and persons with disabilities who account for two-thirds of this program's spending. Medicaid is an important safety net for middle-class seniors and 10 million Medicare beneficiaries with modest incomes (about one in five Medicare beneficiaries) get help from Medicaid for out-of-pocket expenses or long-term care costs. Converting Medicaid into a block grant delinks funding from the actual costs of services and ignores the needs of our aging population. This poses special risks to those who need long-term care. Medicaid is the largest payer for long-term care services in the United States. It pays for nearly half of all long-term care, including home- and community-based supports that seniors may choose as an alternative to expensive institutional care, and 60 percent of people living in nursing homes depend on Medicaid to help pay their bill.

As Medicaid funding under the Republican budget falls further behind the need for services, seniors and persons with disabilities living on limited incomes will likely face serious difficulties getting the care they need. Regarding a nearly identical proposal in a previous Republican budget, CBO stated: “even with significant efficiency gains [by states], the magnitude of the reduction in spending. . . means that states would need to increase their spending on these programs, make considerable cutbacks in them, or both. Cutbacks might involve reduced eligibility for Medicaid and CHIP, coverage of fewer services, lower payments to providers, or increased cost-sharing by beneficiaries – all of which would reduce access to care.”

Keeps Across-the-Board Cuts to Medicare Health Care Providers — Three years ago, Congress passed a law requiring across-the-board cuts in Medicare and other federal programs for the next decade unless Congress developed an alternative set of deficit-reduction policies to replace these cuts. Because Republicans were determined to protect special-interest tax loopholes at the expense of everybody else and would not consider a balanced deficit-reduction plan, Congress could not reach agreement, and the across-the-board cuts took effect. The Republican budget keeps these cuts to providers – totaling \$140 billion through 2024 – in place, rather than replacing them with more sensible deficit-reduction policies.

THROWS AMERICANS BACK ON THE MERCY OF INSURANCE COMPANIES

The Republican budget repeals all of the important benefits and consumer rights in the Affordable Care Act, kicking millions of Americans off their health insurance plans. The Affordable Care Act ensures the right to equal treatment regardless of gender or health status. Everyone has the security of knowing that their health insurance coverage will always include basic necessary services such as prescription drugs, mental health care, and maternity care and that insurance companies cannot impose lifetime or annual limits on these benefits. And millions of Americans already have health insurance under this law – more than seven million Americans have signed up for private health insurance in new marketplaces, three million young adults have been able to stay on their parent’s health insurance plan, and three million people have new Medicaid coverage. By the end of this decade, CBO projects that 25 million Americans who would otherwise be uninsured will have health insurance coverage.

The Republican budget’s repeal of the Affordable Care Act’s protections takes us back to a time when health insurers could kick sick people out of plans and make huge profits off of their healthy customers. It allows drug companies to go back to making secret payments to physicians, and it will cause health care costs to grow out of control because it repeals the reforms that reward quality and coordination of care rather than simply quantity of services provided.

USES SHAM ACCOUNTING TO CLAIM “BALANCE” BY 2024

Republicans Cannot Have It Both Ways on the Affordable Care Act —If Republicans repeal all of the Affordable Care Act, the Republican budget does not balance. This budget includes all of the roughly \$2 trillion worth of the Medicare savings and revenues in the Affordable Care Act. It

repeals only the parts of the law that provide access to quality, affordable health coverage, strengthen patient rights, and improve Medicare benefits. Republicans have voted more than 50 times to repeal or undermine the Affordable Care Act. But, if this budget truly reflected full repeal, it would fall far short of reaching balance in 2024 – by several hundred billion dollars. Republicans claim they will replace the revenues through “comprehensive tax reform,” but the numbers simply do not add up. The Chairman of the Ways and Means Committee released a comprehensive tax reform plan earlier this year that left the Affordable Care Act alone. He could not find enough savings to pay for lowering tax rates at the top as much as he wanted to, let alone to pay for repealing the health law’s revenues as well.

- **HR 2575 Is the Smoking Gun.** Not a single Republican in the House voted against this bill to add nearly \$75 billion to our deficit by exempting the nation’s largest businesses from their responsibility to provide health insurance to their employees. Because the Republican budget assumes all of the revenue from the Affordable Care Act, this bill leads to a \$9 billion revenue shortfall in 2024 alone, wiping out the Republicans’ supposed \$5 billion surplus that year. This bill demonstrates that this budget cannot have it both ways. It cannot reach balance AND repeal even this single piece of the Affordable Care Act.

Uncompromising, Ideological Tea Party Strategy Sets America Up for Another Government Shutdown —Last year’s GOP budget reduced non-defense funding below the deliberately inadequate “post-sequester” caps under the Budget Control Act of 2011 in order to beef up defense. The House Appropriations Committee Chairman called those 2014 caps “unrealistic and ill-conceived,” and the government later shut down because Congress could not pass funding bills that would expose in detail the harm that would occur at these funding levels. Despite that experience, the Republican budget this year again cuts non-defense discretionary funding for 2016 through 2024 by \$791 billion below the post-sequester funding caps, and by \$1.3 trillion – 24 percent – below the amounts needed to maintain this year’s level of services over that period. This budget sets America up for another government shutdown in 2016 and perhaps beyond.

CONCLUSION

This Republican budget illustrates a deeply flawed, pessimistic vision of America’s future. There is no rationale for continuing to shovel special-interest tax breaks and other goodies to a very narrow slice of extremely well-off Americans, while leaving millions of average American workers, seniors, and children worse off. This budget walks away from the investments and supports that made this country strong and that are necessary to ensure broad-based economic prosperity now and for future generations. It is a recipe for American decline. We can do so much better than this.