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What It Would Take to Cut Spending by \$5 Trillion

Translating the House Republican Budget's Numbers into Real Consequences

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Overview

The extreme fiscal vision supported by Congressional Republicans has been on clear display for a while now. First, starve the government of revenues by providing large tax cuts to the wealthy and corporations. Second, decry the massive deficits that inevitably follow. Third, vow to “balance the budget” by imposing deep, damaging spending cuts across a vast array of federal activities and programs that Americans rely on, without allowing one penny of deficit reduction from closing tax loopholes that primarily benefit billionaires and corporations.

The House Republican 2019 Committee-reported budget resolution is a case in point. Late last year, President Trump and the GOP Congress finally pushed their tax scam into law, adding \$1.9 trillion to federal budget deficits over 10 years. Now, in the name of “balancing the budget,” this budget calls for \$4.7 trillion in cuts over 10 years from mandatory spending programs such as Medicare, Medicaid, student financial aid, and vital supports for families struggling to get by.

The enormity of a \$4.7 trillion cut and the severity of the consequences cannot be overstated. Achieving budgetary savings of this magnitude will require unprecedented cuts in benefits and programs that played a major role in creating and sustaining a broad-based American middle class, as well as programs that protect millions of economically struggling American families and children from falling into utter destitution. It will also require dismantling the federal government’s role as protector of our natural resources. Minor program tweaks or cracking down on waste, fraud, and abuse will not generate anywhere near this amount. Instead, it will mean significant policy changes across nearly every function the government carries out on behalf of the American people.¹

To show what it would take to translate the GOP’s small-government vision into reality, this report presents an illustrative scenario of specific policy changes to generate the magnitude of mandatory savings assumed in the budget. The scenario presented in this report builds off available information about the budget resolution approved on a party-line vote by House Budget Committee Republicans in July. While Republicans revealed some details about specific spending cuts assumed in the resolution, the House budget falls far short of identifying all the policy changes that would be necessary to achieve these savings. For example, it relies on \$0.7 trillion of highly unrealistic savings from a nonexistent plan to reduce improper payments, and it assumes another \$1.1 trillion of savings that are allocated to specific functions of

¹ In addition to \$4.7 trillion in mandatory cuts, the House Republican budget also relies on deep cuts to non-defense discretionary (NDD) spending to claim that it reaches balance in 10 years. Non-defense discretionary programs and investments include important activities such as homeland security, assistance to schools, research, veterans’ health care, environmental protection, and much more. Congress sets funding levels for these programs each year and has a wide array of options for complying with these funding limits. This report does not address scenarios for cutting discretionary spending.

government² but do not appear to be associated with any specific policy change. Consequently, this report looks beyond the 2019 House budget itself – to sources such as Presidential budget submissions, prior House Republican budgets, Congressional Budget Office (CBO) budget options, and conservative think tank proposals – to fill in the policy gaps.

This analysis comes with caveats. First, if Congressional Republicans were to move forward with real legislation to cut nearly \$5 trillion in spending, their plan would be unlikely to match this illustrative scenario in every respect. However, this analysis focuses on revealed Republican policy preferences and priorities where they exist. Second, this analysis aims to provide a sense of the extent of policy changes that would be necessary to cut mandatory spending by nearly \$5 trillion. Given the quantity and significance of the policy changes required, there would likely be interactions that could render the total budgetary effect greater or less than the sum of the parts. This analysis adjusts for interactions where possible but does not present a comprehensive net budgetary estimate for the scenario. Estimates for specific policy changes were prepared by Budget Committee staff. A formal estimate for the entire scenario would require extensive analysis by CBO.

Total Mandatory Spending Cuts Assumed in Budget

Table 1. Mandatory Savings in House-Reported 2019 Budget Resolution
(Billions of dollars)

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2019-28</u>
Amount.....	-151	-248	-351	-441	-427	-425	-554	-593	-639	-830	-4,659
Percent.....	-6%	-9%	-12%	-14%	-13%	-12%	-15%	-15%	-15%	-18%	

The House Republican budget resolution assumes a nearly 6 percent cut to net non-interest mandatory spending in 2019 relative to projected spending under current law, ratcheting up to 18 percent in 2028. Of the budget’s \$4.7 trillion in total mandatory savings, \$3.0 trillion would come from Medicare, Medicaid and other health programs, and income security programs. These programs make up more than half of mandatory spending. Social Security accounts for an additional more than one-third of mandatory spending, and veterans’ benefits account for 4 percent. The remaining functions of government – such as defense, natural resources, agriculture, education, justice, and transportation – each account for an insignificant portion of net mandatory spending.

Under the heading of “Government-wide savings,” the budget credits itself with \$0.7 trillion in deficit reduction from a nonexistent plan to reduce improper government payments, plus another \$42 billion from unspecified policy changes. Since the budget describes no credible

² For more information on budget functions and their role in the Congressional budget process, see the House Budget Committee Democratic staff report, [Focus on Function](#).

policy to back up these numbers, this analysis allocates these unspecified savings across the remaining budget functions roughly in proportion to each function's share of mandatory spending over the next 10 years under current law as projected by CBO, so that these savings may be associated with specific policies.

Table 2. Mandatory Savings in House-Reported 2019 Budget Resolution 2019-2028, by Function
(billions of dollars)

<u>Function</u>	<u>Budget Assumption</u>	<u>Allocate Unspecified Government-wide Savings</u>	<u>Total</u>
National Defense (050).....	---	---	---
International Affairs (150).....	---	---	---
General Science, Space, and Technology (250).....	---	---	---
Energy (270).....	-17	---	-17
Natural Resources and Environment (300).....	-57	---	-57
Agriculture (350).....	-23	-3	-26
Commerce and Housing Credit (370).....	-157	---	-157
Transportation (400).....	-32	---	-32
Community and Regional Development (450).....	-7	---	-7
Education, Training, Employment, and Social Services (500).....	-231	-4	-235
Health (550).....	-1,540	-140	-1,680
Medicare (570).....	-537	-197	-734
Income Security (600).....	-923	-110	-1,033
Social Security (650).....	-4	-300	-304
Veterans Benefits and Services (700).....	-59	-29	-88
Administration of Justice (750).....	-32	-1	-33
General Government (800).....	-1	-2	-3
Government-wide Savings (930) 1/.....	-162	---	-162
Undistributed Offsetting Receipts (950).....	-89	---	-89
TOTAL.....	-3,873	-786	-4,659

1/ The budget assumes \$948 billion in government-wide savings, only \$162 billion of which is attributed to actual policies. This analysis allocates the remaining \$786 billion to other functions to associate these savings with actual policies.

Illustrative Scenario of Policies to Achieve Assumed Savings, by Function

Function 270: Energy (\$17 billion)

The House Republican budget mentions only one option for reducing energy spending: repealing the Western Area Power Administration's borrowing authority, for 10-year savings of

\$1.4 billion. Two initiatives in the President's budget together could achieve the remaining savings assumed in the House Republican budget, with \$1.2 billion left over.

- **Sell transmission assets (\$15 billion).** Sell transmission assets owned by the Western Area Power Administration, Southwestern Power Administration, Bonneville Power Administration, and the Tennessee Valley Authority. There is concern that privatizing these assets would increase transmission costs and the price of power to consumers. For this reason, Congress has rejected these proposals in the past.
- **Charge higher rates for power (\$1.7 billion).** Eliminate the requirement that Power Marketing Administration rates be limited to a cost-based structure and allow higher rates to be charged for electricity transmission. This would generate savings in the form of additional offsetting receipts from customers.

Function 300: Natural Resources and Environment (\$57 billion)

CBO projects net spending for this function to total \$36 billion over 10 years under current law, which includes \$67 billion in offsetting receipts from things such as royalties, timber sales, and national park entrance fees and other user fees. Complete elimination of the major spending programs in this function would not be enough to achieve the level of savings assumed in the Republican budget.

Eliminate conservation programs (\$31 billion). Conservation programs run by the Department of Agriculture aim to preserve wildlife habitat, reduce erosion and runoff, increase the sustainability of working lands, improve soil health and water quality, conserve and safeguard water resources, and protect environmentally sensitive areas. Baseline spending for all conservation programs is \$60 billion over 10 years. Because many conservation programs involve multi-year contracts to establish conservation practices on tracts of land, immediate and complete elimination of all conservation spending would not be possible. Ending all conservation programs going forward would save \$31 billion. The President's budget cuts \$7 billion from conservation programs by limiting enrollment, reducing payments, and phasing out certain programs. Almost all the savings in the President's budget come from eliminating new enrollment in the Conservation Stewardship Program. The Farm Bill reauthorization currently under consideration in Congress does not make significant cuts to conservation spending.

Expand logging on federal land (\$2 billion under very optimistic assumptions). The Forest Service and Bureau of Land Management allow the harvest of timber for commercial purposes on public land. The agencies ensure the activity is sustainable, and they balance timber sales with resource protection and recreational use. The House Republican budget counts on more than \$2 billion in deficit reduction from an unrealistic plan to increase timber sales. Timber harvest on federal land has declined markedly since the 1990s, bringing in \$224 million in 2017

and \$213 million in 2016. The President's budget includes a target for Forest Service timber sales that is more than 15 percent higher than the target for the last three years – and more than the Forest Service has sold in any year since 1997. But increasing timber receipts is more complicated than simply setting a higher target for timber sales, or even relaxing regulations on logging. Changing market dynamics for wood products, public preferences, litigation, and changing trade agreements influence timber receipts. Achieving the savings assumed in the House Republican budget would mean that timber receipts would *double* and maintain that increase over the next decade – an unlikely scenario.

Increase receipts from resource extraction on public lands (roughly \$3 billion). The federal government receives a percentage of the value of production of oil, gas, coal, and other non-renewable resources on public lands, or a royalty. Options exist to increase receipts from royalties or fees paid by companies engaged in these activities. However, the amount of money that can be raised in this way is limited. For example:

- ***Increase royalties.*** The Government Accountability Office (GAO) found that raising royalty rates for onshore oil, gas, and coal resources on federal land could raise between \$5 million and \$38 million per year – but even this figure is highly uncertain, as this revenue would depend heavily on market conditions and prices, as well as changes in production based on the increased rate.
- ***Charge inspection fees.*** Taxpayers currently fund inspections of onshore oil and gas operations. Implementing an inspection fee for these activities would raise about \$50 million per year.
- ***Increase mineral and mining fees.*** The General Mining Law of 1872 allows the purchase of public lands at 1872 prices, and the removal of minerals without royalty. Reforming this statute would raise revenue; based on a 2007 CBO estimate, when gold prices were much lower, a 4 percent royalty on existing claims would raise \$300 million over 10 years. Instituting a reclamation fee for material displaced during hardrock mining operations, similar to how coal mining companies fund the Abandoned Mine Land Fund, could raise about \$2 billion over 10 years.

Increase fees for National Parks (less than \$1 billion). While the National Park Service receives an annual appropriation of around \$2 billion, it is also funded through various fees collected in the parks (about \$300 million annually). The National Park Service has proposed more than doubling entrance fees at popular parks – to as much as \$70 at some parks – which it estimates would increase park revenue by \$70 million per year. The Park Service could amplify this approach and charge, for example, a \$400 fee for every park-goer, ensuring that these natural treasures are only for the wealthy. Such extreme measures are unlikely to gain much political traction, however. The Park Service scaled back its proposal to dramatically hike fees after

public outcry, and there is a limit to how much fees can be raised before they no longer bring in higher revenue, as declining visitor traffic would eventually outweigh the fee increase.

Eliminate wildlife restoration activities (\$10-\$12 billion). Two spending programs in this function, Federal Aid in Wildlife Restoration and Sport Fish Restoration, are funded through various excise taxes. Administered by the U.S. Fish and Wildlife Service, these programs support wildlife habitat, coastal wetlands, and hunting and boating safety programs. Congress theoretically could achieve \$10-\$12 billion in deficit reduction by continuing to collect the excise taxes on firearms, archery equipment, fishing equipment, motorboat fuel, and other items, but halting the spending supported by these taxes. Neither the President nor Congressional Republican budgets have endorsed this policy; however, cutting net spending in this function by anywhere near \$57 billion would require eliminating these programs.

Sell federal lands. The federal government owns about 640 million acres, more than a quarter of the land in the United States. This land is heavily concentrated in 12 western states and is primarily administered by the National Park Service, the Fish and Wildlife Service, and the Bureau of Land Management in the Department of the Interior; and the U.S. Forest Service in the Department of Agriculture. The federal government might be able to bring in some money by changing laws to allow selling off huge swaths of land, but the market value of these lands is uncertain. Moreover, sales of such assets do not necessarily improve the federal government's overall financial position. Selling land often comes with a cost: the lost income stream from that land from potential rents, leases, or royalties. In the long run, selling America's lands to industry interests or private citizens might raise money on paper, but wildlife, clean air and water, and the American people and their descendants would lose out.

Function 350: Agriculture (\$26 billion)

Achieving the required savings from agriculture programs would mean cutting 10-year mandatory spending in this function by nearly 20 percent. The President's budget includes \$17 billion in cuts to agriculture through a combination of crop insurance reductions, limits to commodity payments, and new fees. CBO has presented options that could achieve the full amount of savings assumed in the Republican budget by making even deeper cuts in the crop insurance and commodity programs. One CBO option would, for example, reduce crop insurance premium subsidies for farmers by roughly one-third, on average, while also reducing subsidies to insurers.³ Cuts of this magnitude have attracted little Congressional support from either side of the aisle.

Severe reductions to the crop insurance program could undermine the safety-net aspect of the program. Many producers would decline to purchase insurance, which would likely push Congress to enact ad hoc emergency measures when farmers face serious crop losses. Not only

³ [Congressional Budget Office, *Options for Reducing the Deficit: 2017-2026*, p. 20.](#)

would this create instability and uncertainty for producers and the agriculture sector, it would likely be more expensive in the long run for the taxpayer. While the Farm Bill currently being considered contains some changes to crop insurance and other commodity programs, any savings are used to restructure or enhance other programs, and do not result in deficit reduction.

Function 370: Commerce and Housing Credit (\$157 billion)

The Commerce and Housing Credit function encompasses programs and agencies that support commercial activities, protect consumers, regulate the financial industry, increase access to telecommunications services, and several other miscellaneous programs, including the postal service. Many of these programs are fee-funded, and some actually raise money in some years. Achieving \$157 billion in savings would put consumers and the larger economy at risk through enactment of the following policies:

- abolish the Consumer Financial Protection Bureau (\$5.6 billion);
- repeal orderly liquidation authority (\$13 billion) therefore removing the government's ability to safely wind down failing financial institutions;
- make independent financial regulators part of the appropriations process and change how they attract and pay high-quality employees (\$44 billion which would likely largely be offset by spending on the discretionary side), thereby threatening their strength and independence;
- cut the Universal Services Fund (\$75 billion) resulting in drastically reduced access to broadband and telecommunications services for rural areas, low-income consumers, schools, libraries, and rural health care providers; and
- implement significant changes to both Fannie Mae and Freddie Mac (\$19 billion).

Function 400: Transportation (\$32 billion)

The total mandatory transportation spending cut in the Republican budget is nearly twice the total amount of spending projected under current law – \$17 billion – in this category over the next decade. And much of this spending cannot realistically be cut: benefits for Coast Guard retirees account for \$21 billion, more than the net total for the function; and many of the remaining programs are relatively small programs funded by user fees. To achieve the assumed savings, Congress would have to supplement some spending cuts with increases in fees (counted as negative spending) that are not used to fund specific programs. As a practical matter, Congress would have no choice but to significantly increase fees on airline passengers or create some new transportation fee or fees. A scenario for achieving the transportation savings assumed in the Republican budget is described below.

- **Eliminate all mandatory spending on Highway programs (\$5.7 billion).** This is the maximum possible mandatory savings from the proposal described in the budget resolution's Committee Report to limit highway trust fund spending to the level that can be supported by incoming revenues after the current highway bill expires at the end of 2020. This policy would have much larger effects on the discretionary side, as nearly all highway spending is classified as discretionary. The total cut to highway spending from this proposal would be \$116 billion, at a time when the nation's crumbling infrastructure desperately needs increased investment.
- **Eliminate mandatory spending on Essential Air Services and the Rural Airport Improvement Fund (\$1.6 billion).** Congressional Republicans have often criticized Essential Air Services as a wasteful subsidy, and the President's budget includes a proposal to reduce the program's discretionary component. The mandatory component is financed by fees on air traffic over U.S. territory, fees that are not paid by the program's beneficiaries and which could be repurposed for deficit reduction.
- **Increase Transportation Security Administration fees from \$5.60 per one-way trip to \$10 per one-way trip (\$25 billion).** A significant portion of these fees are already used for deficit reduction. The President's budget includes a proposal to increase fees to \$8.25 per one-way trip.

Function 450: Community and Regional Development (\$7 billion)

The Republican budget assumes all the savings in this function come from reforming the National Flood Insurance Program (NFIP). This program provides government insurance for flood losses and seeks to reduce the nation's comprehensive flood risk through floodplain management standards. As of April 2018, the NFIP had more than 5 million flood insurance policies providing more than \$1 trillion in coverage.

While the flood insurance program was originally intended to be self-financing, in practice it has paid more in claims than it collects in premiums. Past reform efforts have been met with mixed results: political pressure in the wake of Superstorm Sandy undid many of the just-enacted changes under the Biggert-Waters Flood Insurance Reform Act of 2012, and increasing premiums are forcing many property owners to forgo coverage, resulting in a large flood insurance gap.

Instead of raising more money, increasing the program's premiums and fees could widen that gap, resulting in fewer insured property owners, higher personal losses, and ultimately more pressure on Congress to intervene on an ad hoc basis.

The flood insurance program also faces the looming threat of climate change, as more frequent and damaging storms result from a warming planet. Severe flood events have become more

devastating and happen regularly; and events that were once considered 100-year floods have become much more commonplace. Focusing on the second part of NFIP's mission – reducing flood risk – would not save money in the short term but could reduce losses and save lives in the future.

Function 500: Education, Training, Employment, and Social Services (\$235 billion)

The required spending cut for this function exceeds the function's projected net mandatory spending under current law. The only way to achieve this magnitude of savings is to increase costs for college students who need financial aid. The Committee Report accompanying the budget resolution references policy changes representing \$169 billion in cuts – mostly by cutting student loans and Pell grants – leaving \$66 billion unspecified. Achieving these massive cuts would devastate the higher education system and make it more difficult for millions of students to afford college. The following options, most of which were included in the Republican budget, show how destructive these cuts would be to students and families. Earlier this year, House Committee on Education and the Workforce Republicans approved harmful legislation by a party-line vote that cuts these programs by a net of \$15 billion – 6 percent of the total function cut assumed in the Republican budget.

- **Eliminate the mandatory Pell program, which supports millions of low-income students (\$73 billion).** The Pell grant program is the largest source of federally funded aid for postsecondary education and makes education more affordable for students.
- **Eliminate grants to states for special education and rehabilitation services (\$38 billion).** These grants help states improve education results and outcomes for millions of children, youth, and adults with disabilities.
- **Dramatically reduce the refundable portion of the American Opportunity Tax Credit (\$28 billion).** This tax credit provides a maximum credit of \$2,500 a year for qualified education expenses, with up to \$1,000 of that refundable. Refundability means that lower-income households with little or no tax liability can still benefit from the tax credit. Thus, significantly reducing refundability would hit students at lower income levels the hardest, making it more difficult for them to afford college.
- **Reduce the scope of student loan income-driven repayment programs (\$29 billion).** These programs help borrowers, particularly low-income borrowers, by allowing them to pay a fixed portion of their income each month towards student loans. The proposal assumed in the Republican budget would likely increase monthly payments for borrowers, making it difficult for students to pay back their student loans and potentially increasing the default rate.

- **Eliminate subsidized student loans (\$26 billion).** This would increase student debt burdens and make college less affordable for 6 million students.
- **Eliminate public service, teacher loan forgiveness, and TEACH grants (\$24 billion).** These programs help students who decide to pursue a career in public service or teaching manage a reasonable loan repayment plan.
- **Eliminate the Social Services Block Grant program (\$17 billion).** This would be devastating to states and localities that rely on this funding to assist families and individuals with a wide-range of services. These services include daycare for children or adults, protective services, special services for persons with disabilities, and a variety of other programs that promote self-sufficiency and curb abuse and exploitation of individuals who are unable to take care of themselves.

Function 550: Health (\$1.7 trillion)

Most of the policies described below or some versions of them have appeared in current or past Republican budgets.

- **Dismantle Affordable Care Act protections (\$1.3 trillion).** Reduce federal subsidies for health insurance in the individual Marketplace, let insurers charge older Americans up to five times what they charge younger people, allow states to waive essential health benefits, convert federal financing for Medicaid to a per-capita cap or block grant, end enhanced funding for the Medicaid expansion population, and other policies in the Republican American Health Care Act, or AHCA. In 2017, CBO estimated that the AHCA would reduce the number of people with insurance by 23 million by 2026, including 14 million fewer people enrolled in Medicaid, and dramatically increase costs for older and low-income Americans.
- **Create new bureaucratic hoops for people with Medicaid (\$132 billion).** Add a mandatory work requirement to Medicaid as a condition of eligibility for certain adults. In 2017, CBO said an optional work requirement included in the AHCA would be taken up by some states to cut Medicaid enrollment and costs. Data from Arkansas, the first state to implement a Medicaid work requirement under a waiver from the Trump Administration, show thousands of people, even those with jobs, stand to lose coverage because they were unable to complete the required paperwork in time.
- **Limit states' Medicaid financing options (\$55 billion).** Lower the Medicaid provider tax safe harbor threshold from 6 percent to 3 percent of net patient revenues over 10 years and then eliminate it over the long term. States that currently rely on provider taxes would be forced either to increase their own spending; or to cut Medicaid eligibility, benefits, or provider payments; or a combination.

- **Reduce health benefits for federal employees and retirees (\$42 billion).** Convert federal payments for Federal Employees Health Benefits (FEHB) premiums for retirees, Members of Congress, and civilian federal employees into a voucher that grows more slowly than health care costs, as well as increase the length of service required to qualify for full benefits under the FEHB program. Over time a greater share of health care costs would be shifted onto the federal workforce.
- **Make the District of Columbia pay more for Medicaid (\$8.2 billion).** Modify the federal government's share of Medicaid spending for D.C., currently set in statute at 70 percent, by using a formula based on per-capita income in each state. A lower Medicaid reimbursement rate would cause D.C. either to raise new revenues; to divert funding from other programs like education; or to cut Medicaid eligibility, benefits, or provider payments; or a combination.
- **Cut health benefits for military retirees (\$31-\$135 billion).** The remaining mandatory program in this function is TRICARE for Life (TFL), which provides supplemental coverage for military retirees enrolled in Medicare. One option for reducing spending would be to impose minimum out-of-pocket requirements on TFL beneficiaries (\$31 billion, including \$9 billion in savings to Medicare). However, to achieve the full \$1.7 trillion cut required in this function, Congress would probably have to eliminate TFL, which is expected to spend \$135 billion over 2019-2028, starting next year. Ending TFL would dramatically shift health care costs onto more than 2 million TFL beneficiaries.

Function 570: Medicare (\$734 billion)

Change Medicare eligibility and benefit structure (\$380 billion). The Republican budget assumes a set of three policies affecting Medicare's basic eligibility and benefits:

- Convert Medicare into a defined-contribution program, in essence replacing Medicare's guaranteed benefits with fixed payments toward the purchase of a private health plan or traditional Medicare. While traditional Medicare technically remains an option, in reality it would wither away. Private plans would find ways to "cherry pick" the healthy. Sick and frail seniors in traditional Medicare would face skyrocketing costs. If a similar plan were in effect in 2024, CBO estimates traditional Medicare Part B premiums would be 57 percent higher than current law.
- Gradually increase the Medicare eligibility age to align with the Social Security normal retirement age, which is scheduled to rise to 67. The budget also tears down the ACA, leaving millions of older Americans with no access to affordable health care.
- Restructure Part A and Part B cost-sharing by establishing a unified deductible and catastrophic cap on out-of-pocket costs and restrict Medigap supplemental coverage to

require that beneficiaries pay a certain deductible. This policy reduces federal spending by altering the distribution of costs between the government and beneficiaries and affecting beneficiaries' decisions to use health services. This means most Medicare beneficiaries in a given year will have to pay more or skip care.

Make changes to Part D prescription drug benefit (\$65 billion).

- Require beneficiaries in the Part D coverage gap to pay more out-of-pocket for their prescription drugs before their catastrophic coverage kicks in, by excluding manufacturer rebates from the calculation of Part D beneficiaries' out-of-pocket costs (\$59 billion). The Republican budget assumes this policy.
- Give Part D drug plans the ability to cover only one drug in each category or class instead of the minimum of two required under current law, and give drug plans more tools to manage which drugs patients use (\$6.3 billion). The President's budget includes this policy.

Increase Medicare premiums (\$120 billion). Gradually increase Medicare Part B and Part D premiums so that they cover roughly 28 percent of costs, up from the current one-quarter of costs. The Republican Study Committee, which counts more than half of House Republicans as members, released a budget for 2019 that includes a Medicare premium increase. An alternative to raising premiums would be to allow Medicare to receive the same rebates on prescription drugs from pharmaceutical manufacturers for low-income beneficiaries that Medicaid receives (\$160 billion), or to give Medicare the ability to negotiate drug prices directly with drug companies – neither of which would increase individual beneficiaries' out-of-pocket costs. Congressional Republicans have never supported either of these drug policies, and neither has appeared in a Republican budget.

Reduce funding for training doctors (\$28 billion). The Republican budget assumes a policy to restructure Medicare's payments for graduate medical education. Depending on policy design, this could have unintended consequences for hospitals, potentially affecting the supply of new primary care physicians and hospitals' ability to absorb the cost of caring for uninsured patients.

Cut payments to hospitals, skilled nursing facilities, and other health service providers (\$140 billion). The President's budget includes the following policies.

- Reduce Medicare reimbursements to hospitals and other facilities for bad debt that results when beneficiaries fail to pay their deductibles and other cost-sharing (\$33 billion). This policy would disproportionately affect safety-net hospitals.
- Reduce Medicare's Disproportionate Share Hospital (DSH) payments, which exist to help hospitals that provide significant amounts of uncompensated care, and cap Medicare

DSH spending so that it grows no faster than inflation, regardless of actual costs that hospitals may face in the future for uncompensated care (\$38 billion).

- Reduce payment updates for post-acute care providers (skilled nursing facilities, home health, inpatient rehabilitation facilities, and long-term care hospitals) and overhauling the post-acute payment system (\$55 billion).
- Eliminate a payment differential between physician offices that are owned by hospitals and those that are not (\$14 billion).

Function 600: Income Security (\$1.0 trillion)

Mandatory programs in this function help working Americans and those struggling to get by meet their most basic needs. These programs provide retirement benefits for military and civilian federal employees, provide basic income protection for aged and disabled Americans living in poverty, support children in foster care, and ensure Americans can meet basic standards of living through assistance with child care, housing, and nutrition. During the markup of the budget resolution, Republicans said they assumed no savings from some major programs, such as refundable tax credits. However, to achieve the total savings assumed in this function, it would almost certainly be necessary to cut programs Republicans said they do not intend to cut. The following package of policies would achieve \$1.0 trillion in spending cuts.

- **Convert guaranteed benefits into block grants (\$0.5 trillion).** Under the guise of “state flexibility,” Republicans have long championed cutting safety-net programs by turning them into block grants or reducing existing block grants, which really just means shifting costs to states that cannot afford to take them on. Such policies will only increase poverty in America, hamstringing our ability to take care of vulnerable citizens during the next economic downturn, and cut off the ladders of opportunity that move people out of poverty. Success requires a stable foundation – this means knowing you have a roof over your head, food for your children, and knowing your children are taken care of while you work. For example, study after study shows the positive long-term impact of SNAP and child nutrition programs for children, increasing their ability to thrive in school and reach long-term economic success. Fully funding an effective set of services for children in the foster system is the best and most effective way to combat the trauma these children face. Cuts in the guise of “state flexibility” pose a serious threat to hardworking American families, not only failing to help them today, but erecting barriers to their future successes as well.
 - **Cash assistance.** Eliminate the Temporary Assistance for Needy Families (TANF) program and its accompanying contingency fund, which was used most recently to support struggling families when TANF rolls increased because of the Great Recession (\$166 billion).

- **Food assistance.** Convert the Supplemental Nutrition Assistance Program (SNAP) into a smaller block grant (\$249 billion).
- **Child nutrition.** Convert child nutrition programs, including the National School Lunch Program and the National School Breakfast Program, into smaller block grants (\$117 billion).
- **Child care.** Reduce the child care entitlement block grant by 25 percent (\$7 billion).
- **Foster care.** Reduce federal funding for foster care grants by 25 percent and eliminate the Chafee Foster Care Independence Program (\$15 billion).
- **Take away cash assistance for low-income disabled children (\$141 billion).** Eliminate Supplemental Security Income (SSI) benefits for children with disabilities and make other changes to eligibility and benefits. SSI provides limited cash assistance to people who are disabled, aged, or both with low income and few assets. About 15 percent of SSI recipients are children. Failing to provide this benefit for disabled children – who often need expensive services and care – would put severe financial burdens on parents who have very limited resources to begin with.
- **Reduce tax benefits to low-income households (\$173 billion).** Impose new limits on who can receive the Earned Income Tax Credit (EITC) and the Child Tax Credit (CTC). These tax credits incentivize work and help cover the costs of raising children. Despite bipartisan consensus that these tax credits should be strengthened, those with a conservative policy agenda often push for “reforms” that weaken this program, shift benefits from those who need the help the most, and create perverse incentives that have nothing to do with work or raising children. These policy changes – taken directly from conservative think tanks⁴ – reduce federal spending by taking it directly out of the pockets of working Americans, making it harder for them to get and stay ahead. For example, some of the proposed changes would:
 - allow only those with legal custody of a child to claim the EITC and CTC for that child;
 - prohibit families with children from receiving the EITC and CTC if they also receive public housing assistance;
 - eliminate EITC for working adults without children; and
 - require the IRS to fully verify income before any refundable EITC payment is made.

⁴ <https://www.heritage.org/welfare/report/reforming-the-earned-income-tax-credit-and-additional-child-tax-credit-end-waste>

- **Cut retirement benefits for federal civilian employees.** The federal civilian workforce comprises more than 2 million dedicated employees that provide vital services to the nation. It includes those who patrol and secure our borders, protect us from terrorists, take care of our veterans, counter cyberattacks, find cures for deadly diseases, and keep our food supply safe. The federal workforce has in recent years absorbed pay freezes, furloughs, and increased retirement contributions. The House Republican budget goes even further, threatening the government’s ability to recruit and retain top talent, and pulling an underhanded bait and switch by changing the rules for dedicated civil servants at or near retirement. The policy changes would:
 - require a 50/50 match for the Federal Employee Retirement System (FERS) (\$135 billion);
 - eliminate the FERS special retirement supplement (\$5.3 billion); and
 - change the FERS formula to the average of the highest 5 years of salary and increase the minimum retirement age to 60 (\$5.8 billion).
- **Other cuts.** Other areas within this function would also have to experience reductions to achieve the large savings assumed in the House Republican budget. These include elimination of a mandatory affordable housing program (\$3.9 billion) and changes to child support enforcement (\$14 billion).

Function 650: Social Security (\$304 billion)

The House Republican budget assumes \$4.0 billion in savings from one specific policy change affecting Social Security spending – prohibit the simultaneous receipt of unemployment insurance and Social Security Disability Insurance benefits. The budget describes this as “a first step” to Social Security reform.

There are a number of ways Republicans could cut the remaining \$300 billion from Social Security. An across-the-board cut of 2.2 percent would do it. Skipping next year’s cost-of-living-adjustment (COLA) to freeze benefits for one year would also do it. But the language of the Republican budget argues for long-term structural reforms, making the illustrative approach outlined below far more likely to reflect GOP priorities and plans.

- **Use the chained Consumer Price Index (CPI) to index Social Security COLAs (\$150 billion).** Last year, Republicans passed legislation that used the chained CPI to index tax brackets. Using the chained CPI to index Social Security is one of the proposals in the Social Security reform plan proposed by Representative Sam Johnson (Chairman of the Social Security Subcommittee).

- **Raise the Social Security retirement age (\$15 billion).** This is another long-standing GOP Social Security priority. Versions of it were included in Chairman Johnson’s proposal (which gradually raised the full retirement age to 69) as well as the “Roadmap” proposed years ago by Representative (now-Speaker) Paul Ryan.
- **Switch from wage indexing to price indexing to calculate initial benefits for higher earners (\$100 billion).** This would allow initial Social Security benefits resulting from high earnings to grow with inflation, benefits resulting from low earnings would continue to grow with average wages. This proposal, known as progressive price-indexing, was also part of the Ryan “Roadmap.”
- **Change Social Security’s benefit formula (\$35 billion).** One option would be to change the “Primary Insurance Amount” (PIA) factors in the formula to increase Social Security benefits attributable to low earnings and lower those benefits attributable to middle and high levels of earnings. A version of this proposal is another element of Chairman Johnson’s Social Security reform plan.

Function 700: Veterans’ Benefits and Services (\$88 billion)

The following set of policies would cover most of the savings required in this function. Several of these policies have been assumed in current or past Republican budgets. All of them would increase veterans’ costs or create financial hardships for veterans who rely on these benefits.

- **Eliminate individual unemployability (IU) payments to veterans at or above the Social Security retirement age (\$40 billion).** These payments supplement disability compensation for certain veterans who are unable to engage in substantial work. The House Republican budget assumed \$7 billion in savings from a slightly different version of this policy that would only apply to future applicants; to get \$40 billion would require taking the benefit away from all veterans at or above retirement age who currently receive it.
- **Reduce veterans’ disability compensation benefits by denying eligibility for certain disabilities unrelated to military duties (\$26 billion).**
- **Limit tuition inflation adjustments for veterans’ education benefits, regardless of actual tuition cost growth (\$5.1 billion).** This policy would slowly devalue the education benefits veterans have earned by serving their nation.
- **Increase funding fees paid by veterans using their VA Home Loan Guaranty benefit (\$3.1 billion).** The funding fee is a percentage of a home loan amount which varies based on the type of loan, veterans’ military category, and other loan characteristics.

- **Reduce Monthly Housing Allowance (MHA) payments under the veterans' GI Bill program (\$2.4 billion).**
- **Round down Cost of Living Adjustments (COLAs) for veterans' disability compensation, dependency and indemnity compensation, and certain education programs (\$2.0 billion).** This policy would gradually erode the purchasing power of veterans' benefits over time.

Function 750: Administration of Justice (\$33 billion)

- **Extend immigration and U.S. Customs and Border Protection fees currently scheduled to expire (\$8.3 billion).** The House-reported Republican budget assumes this policy.
- **Set caps on Crime Victims Fund spending (\$25 billion).** This fund assists victims of violent crimes by helping with medical expenses, funeral costs, and lost wages.

Function 800: General Government (\$3 billion)

Limited options exist for getting savings out of this function. Most General Government mandatory spending is for judicially ordered monetary awards against the United States, subsidies to states to reduce borrowing costs for certain bonds issued prior to 2011, and mineral leasing and associated payments to the states. One way to achieve the extra savings would be to reduce the share of revenues the federal government provides to each state for mineral production occurring on federal lands within that state. Congress already targeted these payments once before. It reduced these payments by 2 percent in the Bipartisan Budget Act of 2013, which saved \$415 million over 10 years.

The Committee Report accompanying the Republican budget mentions getting “hundreds of millions of dollars” from selling excess federal property. GAO has listed federal real property as a high-risk area since 2003 for the General Services Administration’s long-standing challenges in managing real property, including disposal of excess property. The executive branch has taken steps since 2012 to address these long-standing challenges but many of them persist. Among them are lack of reliable data, a complex disposal process, costly environmental requirements, and limited accessibility of some federal properties. While it is theoretically possible to achieve additional savings in this area, it has proven to be difficult to achieve. Congress recently passed the Federal Assets Sale and Transfer Act of 2016 with the goal of streamlining the real estate disposal process. Even so, CBO would not score additional savings because it has no basis to estimate that it would result in more sales as compared to previous law. Consequently, the Republican budget’s assumption that hundreds of millions of dollars could be saved by managing real property better may be overly optimistic.

Function 930: Government-wide Savings (\$162 billion)

The House budget counts on a total of \$948 billion in savings from “Government-wide Savings.” Of this, \$744 billion represents savings from a nonexistent plan to reduce improper payments, and another \$42 billion in savings is completely unspecified. As discussed earlier in this report, this analysis allocates these amounts roughly proportionately across the major functions to associate them with specific policies. To achieve the remaining \$162 billion, the Republican budget assumes policies affecting patients, health care providers, federal employees, farmers, college students, disabled workers, and others.

- **Medical malpractice (\$33 billion).** Change medical malpractice law to cap noneconomic damages, set a three-year statute of limitations for claims, put limits on contingency fees lawyers can charge, and other changes. This policy reduces spending in Medicare and other federal health programs by making it more difficult for patients injured by medical providers’ negligence to sue and receive full compensation.
- **Federal retirement (\$29 billion).** Reduce the rate of return on federal employees’ retirement assets held in the Thrift Savings Plan G Fund. The G Fund invests in special Treasury securities designed just for TSP.
- **Across-the-board cuts (\$10 billion.)** Extend Budget Control Act across-the-board cuts to Medicare and certain other mandatory spending programs through 2028. The Medicare cuts affect payments to hospitals, doctors, and other health service providers. Other programs affected by across-the-board cuts include student loans (in the form of higher loan fees), farm price supports, and funding streams for vocational rehabilitation, social services, and public health and prevention.
- **Timing shifts (\$89 billion).** Under current law, if certain monthly federal payments to beneficiaries or service providers are scheduled to fall on a weekend, the government instead makes the payments on the preceding Friday. When this happens at the beginning of a fiscal year, it can result in the government making 13 monthly payments in the previous year. Such will be the case in 2028. The House Republican budget counts \$89 billion in savings over the 2019-2028 budget window by pushing that 13th payment back a few days into fiscal 2029.

Function 950: Undistributed Offsetting Receipts (\$89 billion)

The Republican budget assumes \$6.1 billion in new receipts from selling off part of the nation’s Strategic Petroleum Reserve. Other policies contributing to the total savings assumed in this function include transferring certain federal lands to state and local governments (the true savings achievable from this policy are uncertain, as discussed in the Natural Resources and

Environment section) and auctioning off more of the electromagnetic (radio) spectrum for private use, such as by cell phone companies.