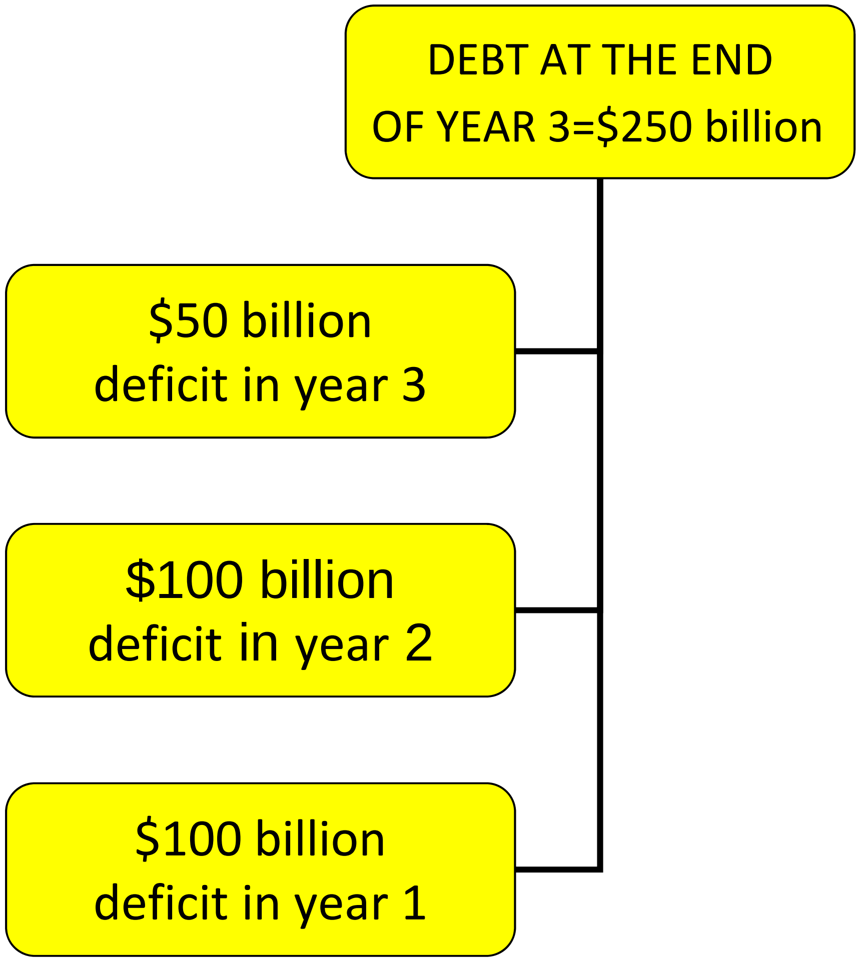
Fighting for Colorado Families

Reducing the Deficit and Providing Meaningful Health Care Reform

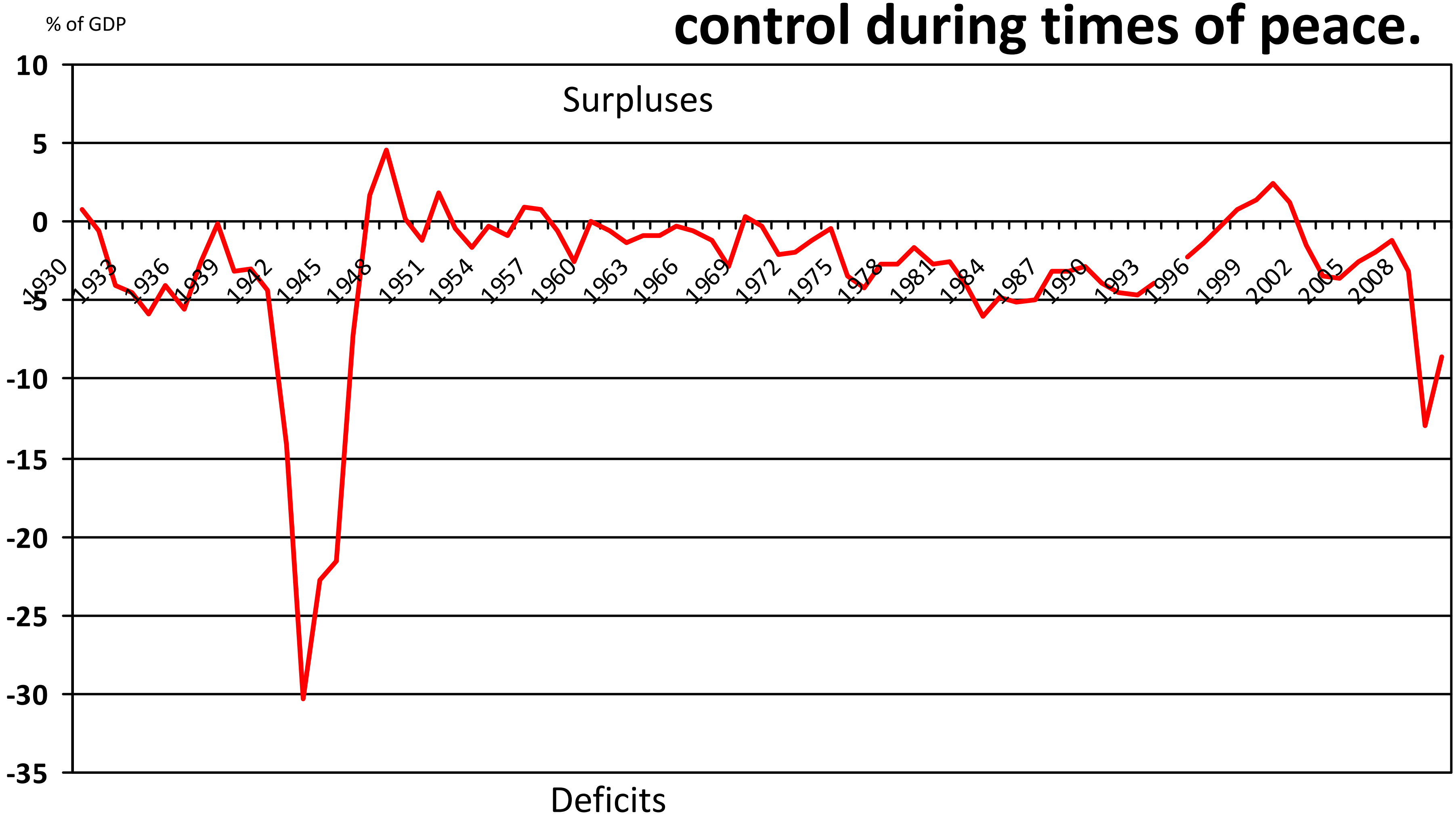
Senator Michael Bennet

What are deficits and debt?

- The government runs a deficit if it spends more money than it collects in taxes within a given year.
- Our debt represents an accumulation of deficits. Thus, if we run a $100 billion deficit in year 1, a $100 billion deficit in year 2, and a $50 billion deficit in year 3, we'll have a $250 billion debt at the end of year 3.
- A large debt can raise interest rates, stifle economic growth, and diminish the ability of our government to provide basic services.

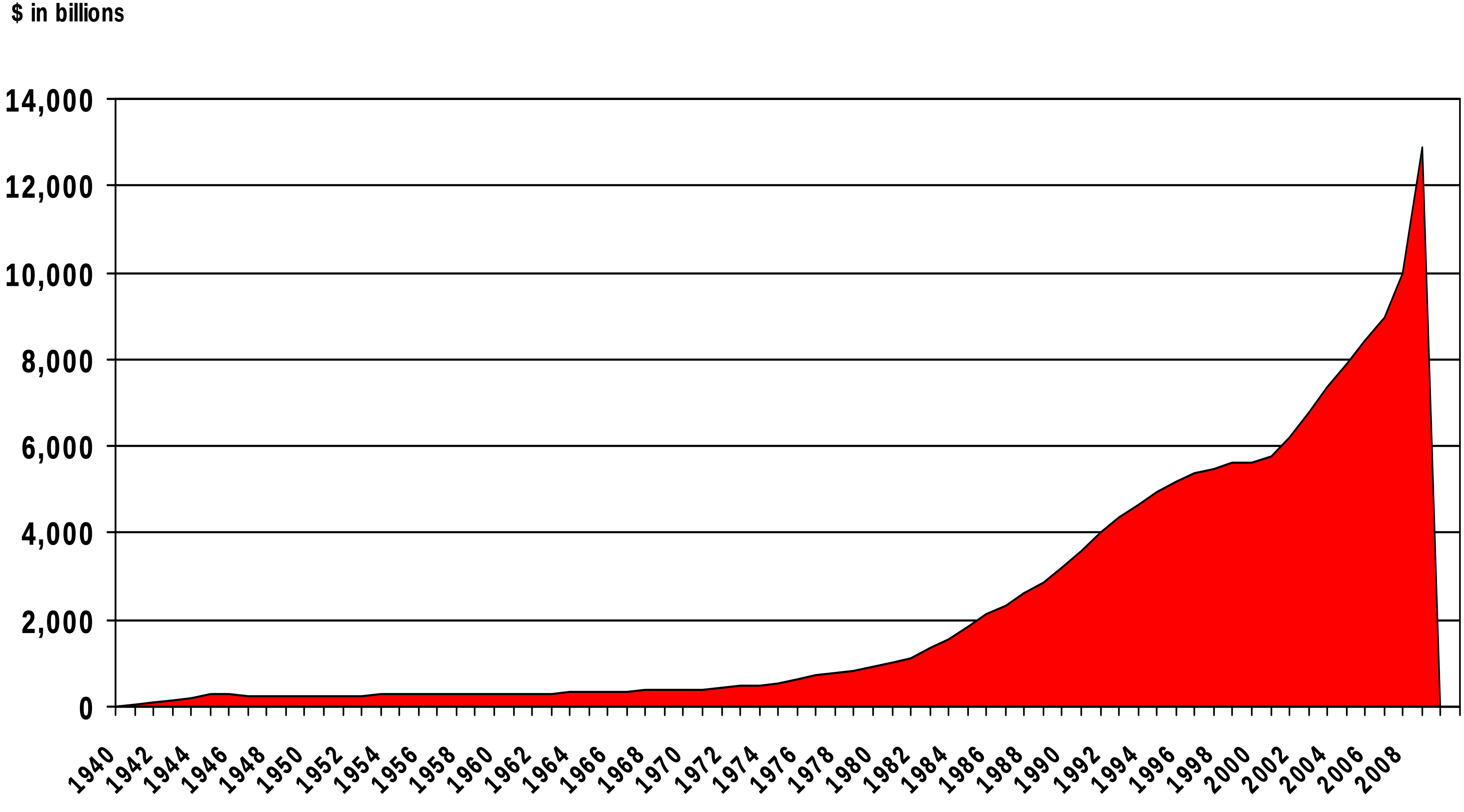


Until the 1980s, the government kept deficits under control during times of peace.



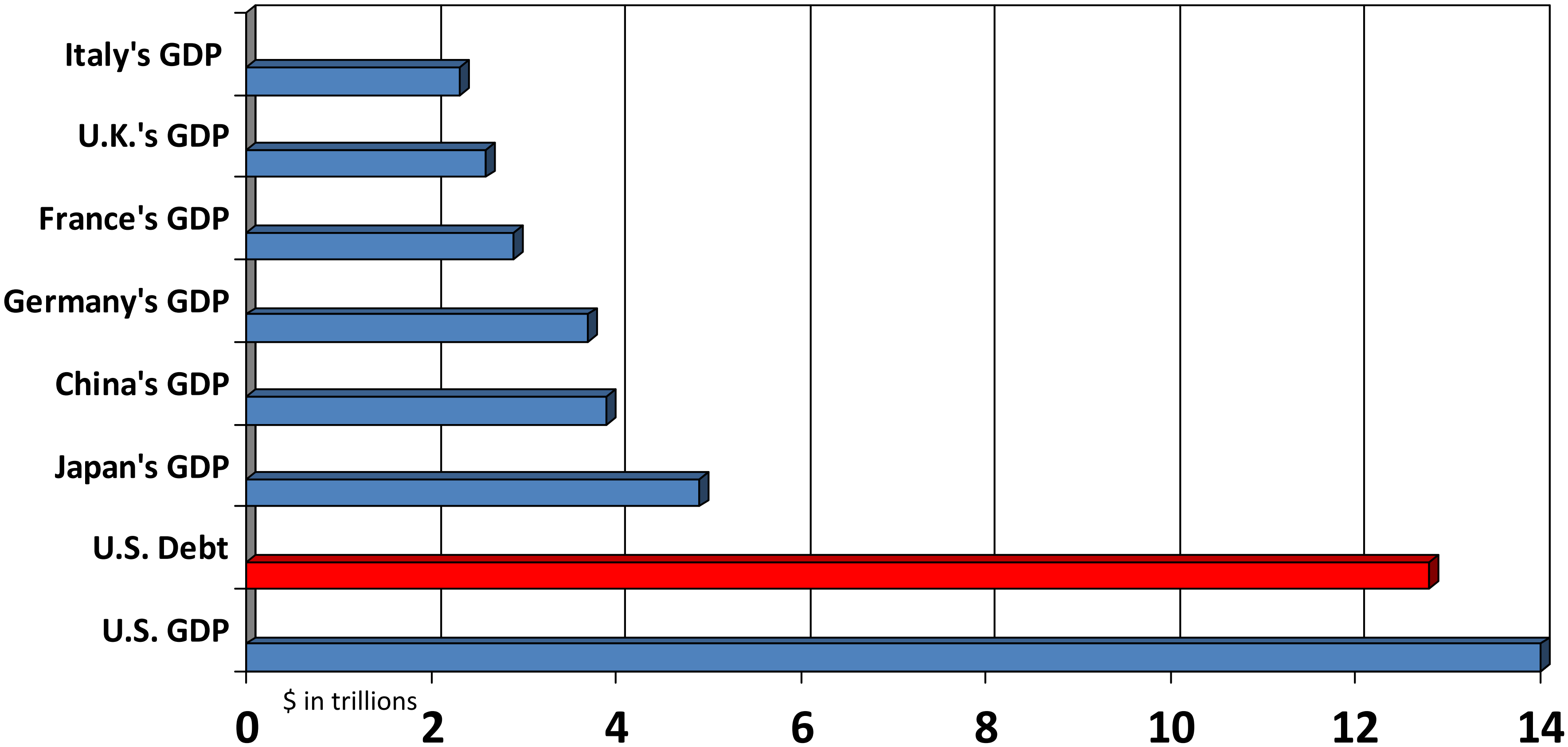
- Source: Office of Management and Budget ("OMB")

Our recent deficits resulted in greater debt. At the end of this year, OMB predicts our debt will total over $12 trillion.



Source: OMB measure of gross debt, which includes debt owed to foreign creditors and borrowing against other parts of the government such as the Social Security and Medicare trust funds.

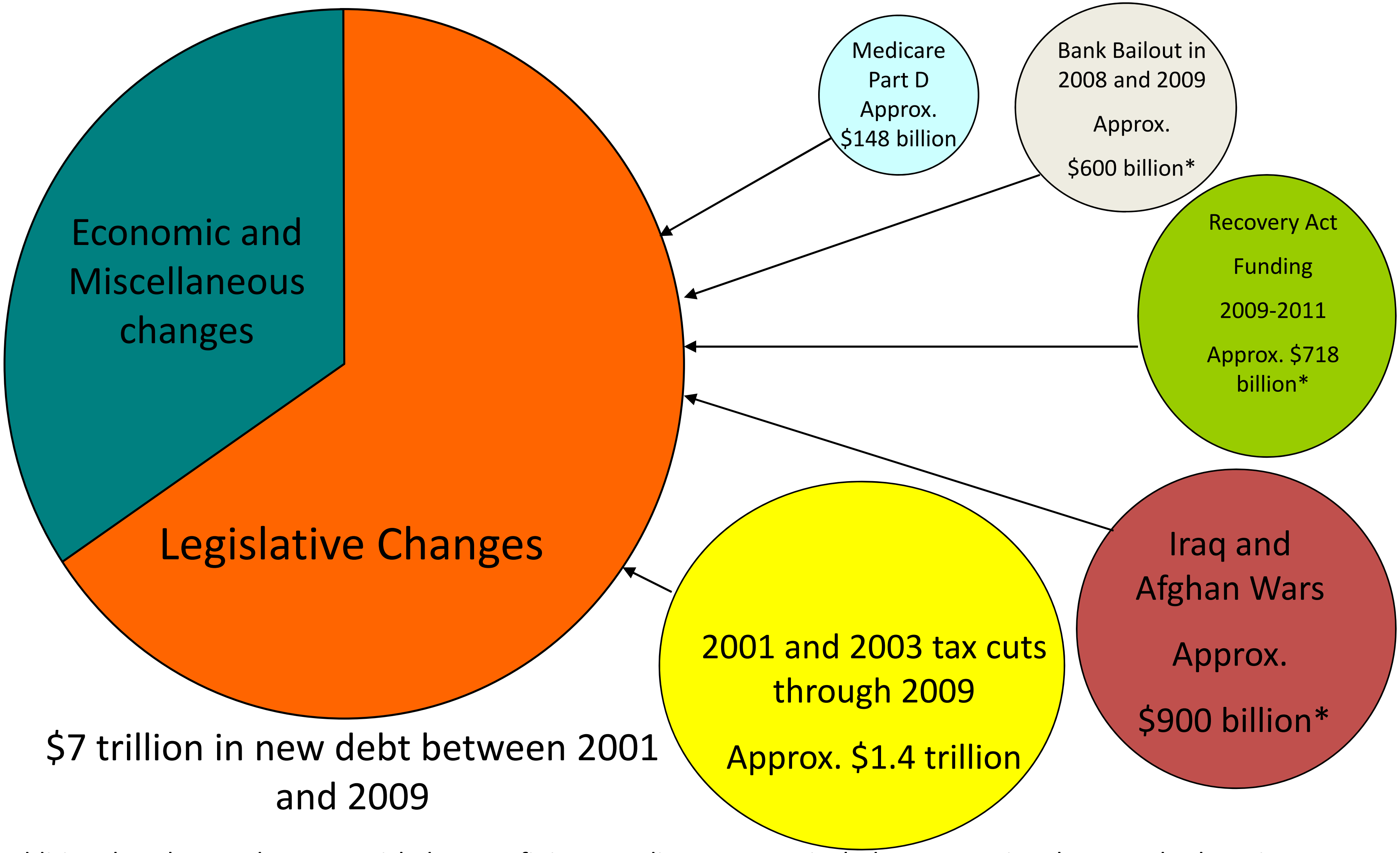
How much is $12 trillion? It's over twice as large as every other country's economy.



- The above chart identifies the largest economies in the world as measured by GDP.
- By the end of this year, our gross debt will be greater than the economies of China and Japan *combined*.

•Sources: OMB's measure of gross debt and the World Bank's estimates of worldwide GDP for 2008 (published in July 2009).

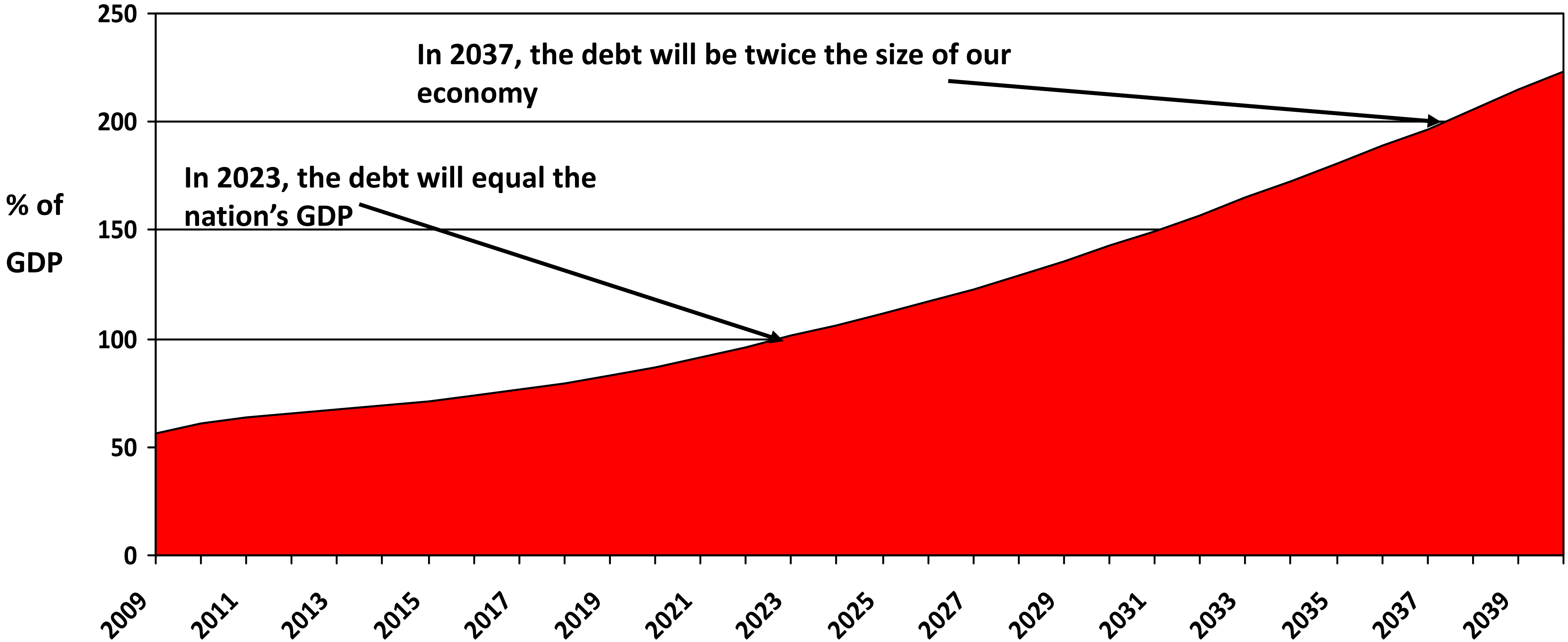
Substantial factors contributing to the increase in the debt between 2001 and 2009.



$7 trillion in new debt between 2001 and 2009

Additional Background: An asterisk denotes finite spending. Sources include Congressional Research, the Joint Committee on Taxation, CBO and the OMB. These numbers are rough estimates.

So what happens next?

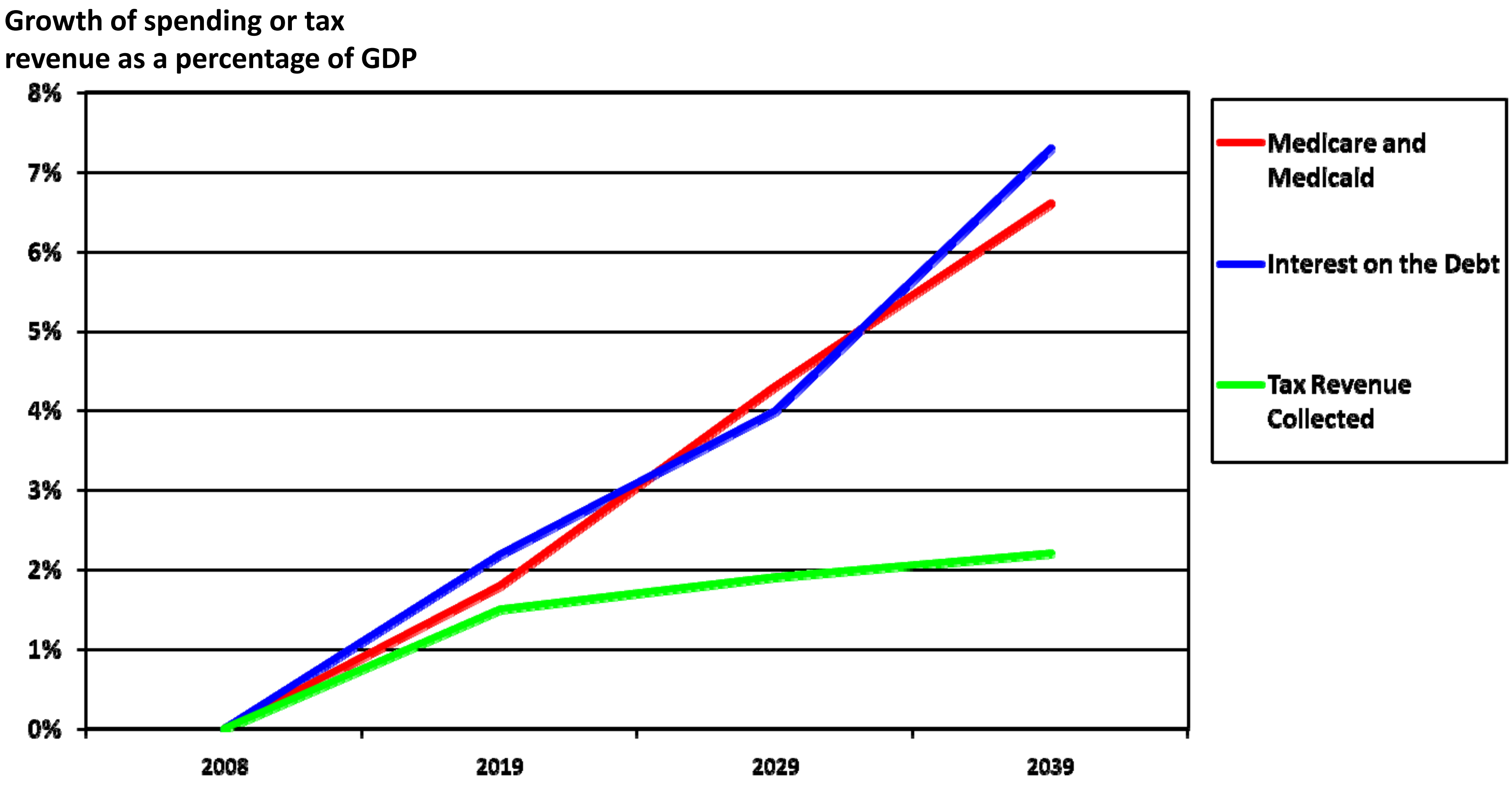


- Economic growth alone will not reduce our debt.

- The CBO Director recently stated: "The federal budget is on an unsustainable path, because federal debt will continue to grow much faster than the economy over the long run. Although great uncertainty surrounds long-term fiscal projections, rising costs for health care and the aging of the population will cause federal spending to increase rapidly under any plausible scenario..."

Sources: Congressional Budget Office's ("CBO's) measure of debt held by the public. Debt held by the public does not include borrowing against other government programs. CBO only provided statistics on debt held by the public for future years. The data is based on the assumption that the Congress will extend the 2001 and 2003 tax cuts and index the AMT for inflation without offsets.

Factors Contributing to the Growth of Our Future Deficits



Spending attributable to Medicare, Medicaid, and interest on the debt will increase substantially faster than tax revenues that the government collects.

Source: The chart compares growth in tax revenue or spending as compared to 2008 using CBO projections. The trajectory assumes that Congress will extend the 2001 and 2003 tax cuts and index the AMT for inflation without offsets.

If we don't want to raise taxes, what are the consequences of waiting to address our debt?

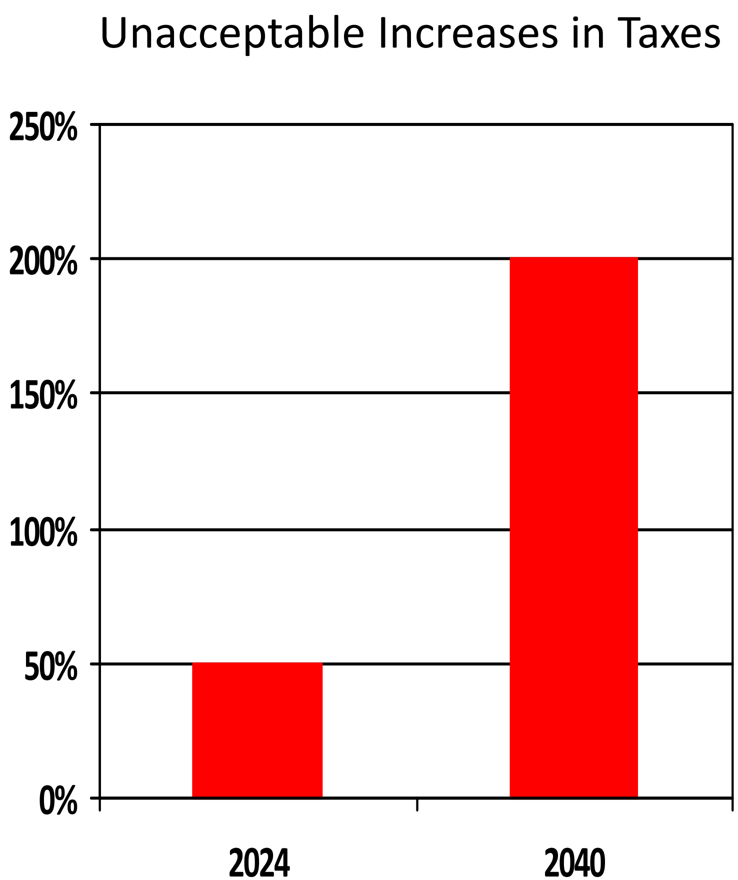
If we don't want to run a deficit in 2030, we'd have to eliminate *every* government program for the year except for Medicaid, Medicare, and Social Security.

That would mean ***no funding*** for:

- the Army;
- the Navy;
- the Air Force;
- the Marines;
- All national parks, national forests, and all other public lands;
- All student loan and Pell Grant programs;
- Veterans Programs;
- NASA;
- The Department of Justice;
- the FBI;
- the Coast Guard;
- the CIA;
- Repairs on federal highways;
- Farm Programs; and
- Operating the White House, Congress, or any federal court.

Sources: David Walker, President and CEO of the Peter Peterson Foundation, Analysis of March 2009 GAO Report. In the alternative, if the government wanted to fund the programs above and not run a deficit, it would need to make substantial cuts to Medicare, Medicaid, or Social Security.

What does this mean for my daughters and your children if we don’t act soon?



- If we wait to hold the line on our debt until 2024, our children would face a 50% tax increase that would burden families and stifle economic growth.
- If we wait until 2040 to address our long-term debt, our children and grandchildren would face a 200% tax increase.
- Delaying difficult decisions will weaken our country and unconscionably burden our children for the bad choices we’re making today.

Source: Information from the Peter Peterson Foundation and CBO. These projections reflect the tax increases necessary if we wanted to reduce the debt as a percentage of GDP to 2009 levels. Thus, in 2024, if we wanted to reduce the debt as percentage of GDP to where we are today for the long term, it would requires a 50% tax increase. This is called the fiscal gap.

Strategic approach to a sound fiscal future.

- **STEP 1: STOP DIGGING**

Any new spending or tax cuts must be offset. The first step is to institute PAYGO, which will mean that you can't create a new program or tax cut without finding a way to pay for it

- **STEP 2: ASK FOR A LITTLE HELP FROM YOUR FRIENDS**

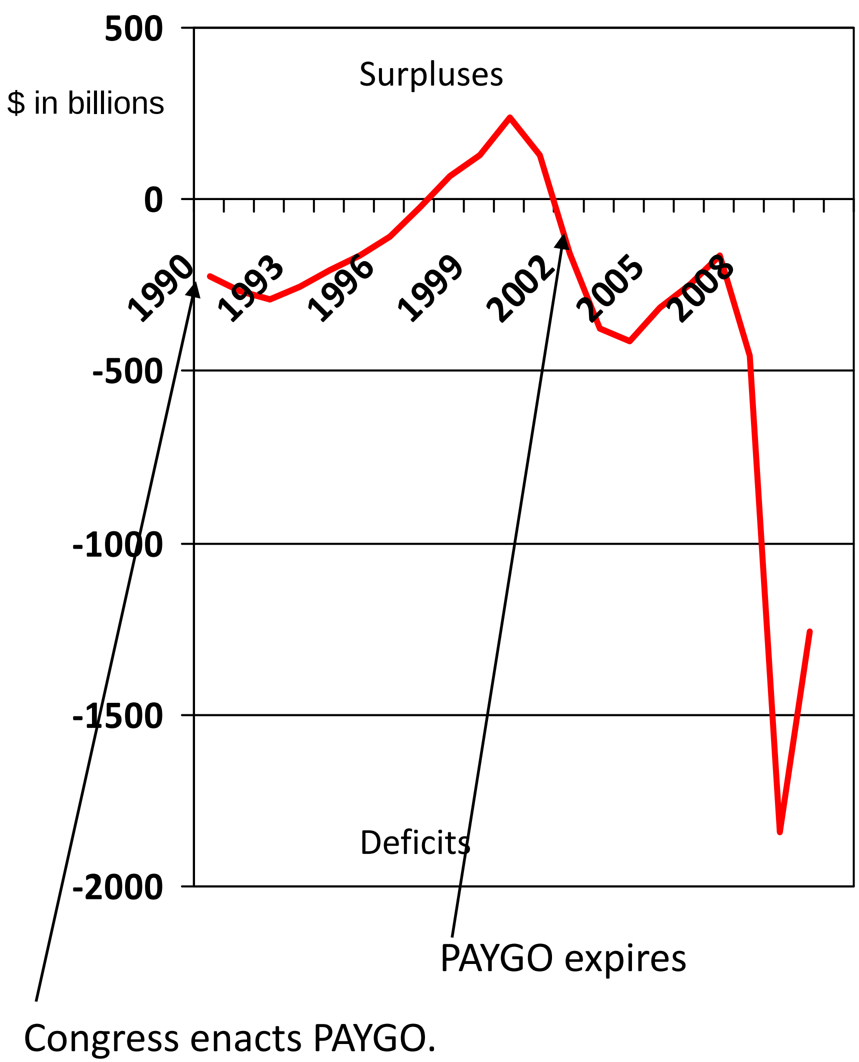
We should create a Bipartisan Task Force to recommend specific ways to reduce our debt. The task force must make recommendations to the Congress to address our deficits and debt. Then, Congress must take an up or down vote on the recommendations without amendment.

- **STEP 3: START FILLING THE HOLE**

I have introduced legislation that would limit discretionary spending to the rate of inflation. The discretionary spending limit would be eliminated during periods of low or negative growth. My bill would also limit the deficit to 4% of the GDP starting in 2012. It would then limit deficits to 3% of the GDP starting in 2013 through 2019.

How do we control our deficits? First, we stop digging our hole even deeper by re-instituting PAYGO.

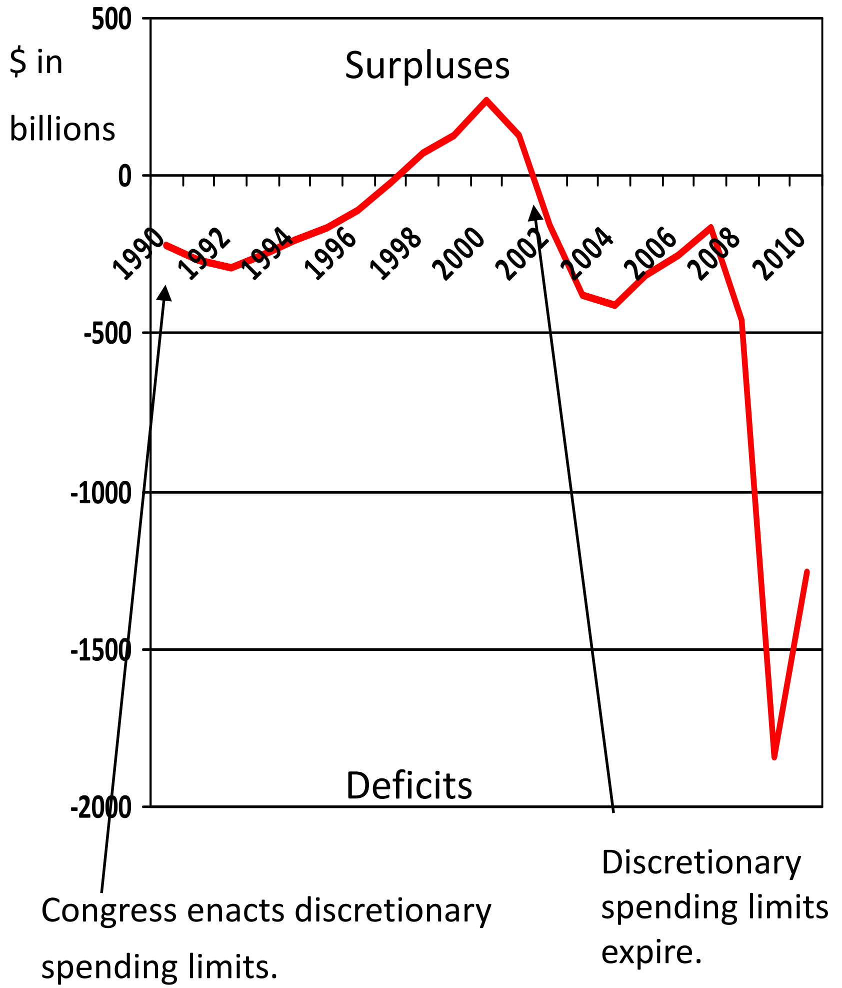
In the 1990s, PAYGO helped create surpluses.



- In late 1990, Congress passed PAYGO. Unfortunately, it expired in 2002.
- Simply put, PAYGO means that you can't create a new program or tax cut without finding a way to pay for it.
- PAYGO targeted *new* programs that increase in cost automatically without requiring funding from Congress on a year-to-year basis. These are called mandatory programs.
- Under PAYGO, if Congress passes a tax cut or a new program that increases the deficit, the President would make a uniform spending cut so we don't dig our hole any deeper. This is called a sequestration.

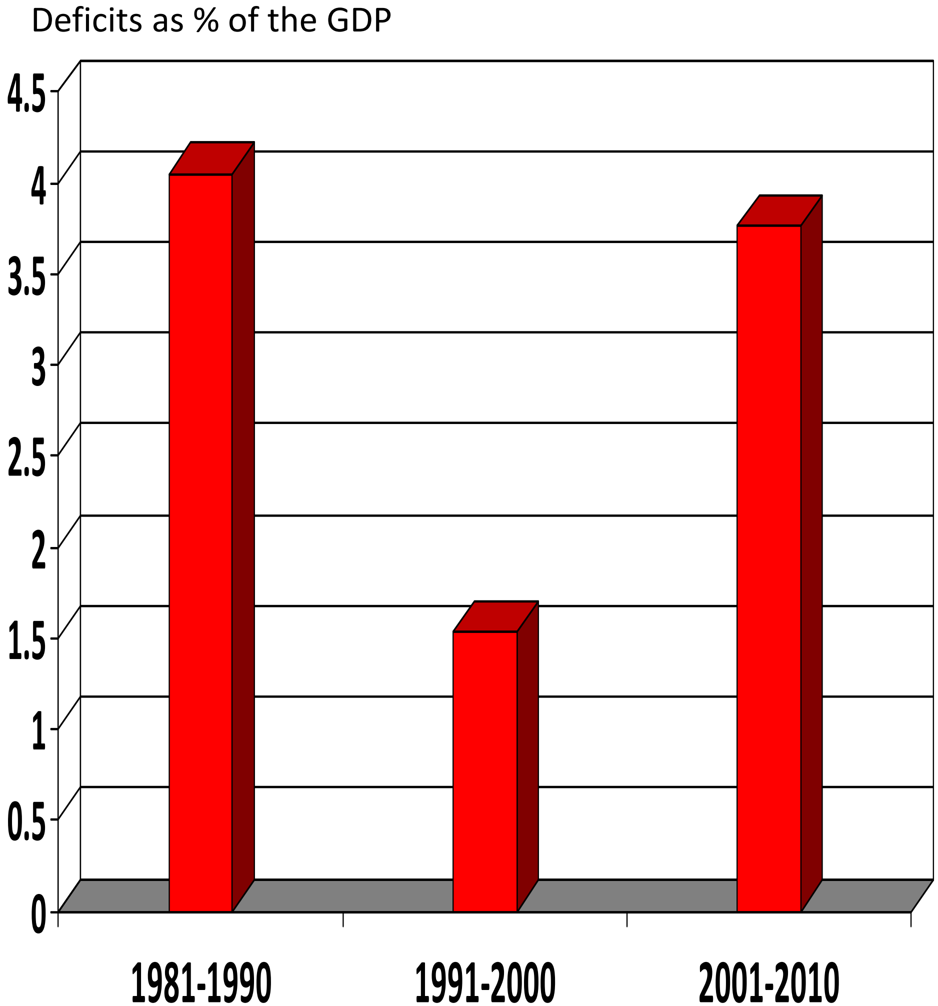
Next, we limit increases in discretionary spending.

In the 1990s, discretionary spending limits also helped create record surpluses.



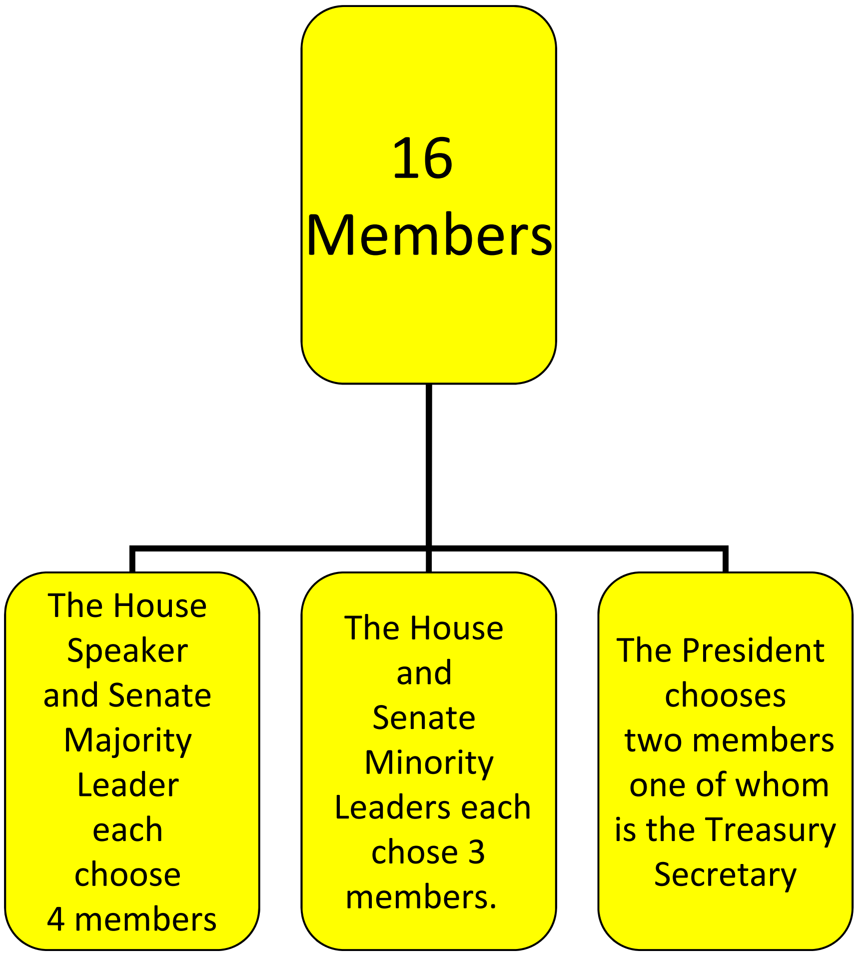
- In addition to PAYGO, in late 1990, Congress enacted limits on discretionary spending, which is spending that Congress must appropriate each year.
- Major government agencies such as the Department of Defense and the Department of Justice represent discretionary spending.
- The Deficit Reduction Act would limit discretionary spending to the rate of inflation. The discretionary spending limit would be eliminated during periods of low or negative growth.

Then, we have to limit deficits to 3 percent of GDP.



- In the 1990s, our deficit averaged 1.5% of GDP. In the 1980s and in recent years, however, we could not meet this goal.
- The Deficit Reduction Act would limit the deficit to 4% of the GDP starting in 2012. It would then limit deficits to 3% of the GDP starting in 2013 through 2019.
- The limits would not apply during periods of slow or no economic growth.
- If Congress can't abide by the limit, the President must enact an across the board spending cut across government programs except for Social Security, veterans programs, certain low income programs, and economic recovery programs.

Finally, we should create a Bipartisan Task Force to recommend specific ways to reduce our debt.



- Senator Bennet will cosponsor legislation creating a bipartisan task force to address our fiscal challenges.
- Under this legislation, the task force must make recommendations to the Congress to address our deficits and debt.
- Congress must take an up or down vote on the recommendations. It cannot amend them. It would take a 3/5 vote to pass the recommendations.
- The task force will take politics out of our fiscal future and will work hand-in-hand with PAYGO and the Deficit Reduction Act.

How do these proposals work together?

	ELEMENTS	WHAT DOES IT ADDRESS?	ENFORCEMENT	ESCAPE VALVE?
PAYGO	• Requires offsets for new tax cuts and new spending programs that grow automatically such as Medicare Part D.	•New tax cuts and new spending on programs that grow automatically.	•Uniform spending cuts	•Emergencies
DEFICIT REDUCTION ACT	• Spending caps on yearly appropriations •Limits deficits to 4% of GDP starting in 2012, and 3% of GDP starting in 2013.	•Increases in yearly appropriations •Forces Congress to address entitlement programs	•Uniform spending cuts except for Social Security, veterans and a limited number of programs •Uniform spending cuts with same exceptions as above.	•Emergencies and 2 consecutive quarters with less than 1% economic growth •Emergencies and 2 consecutive quarters with less than 1% economic growth
BIPARTISAN COMMISSI0N BILL	•Task force that must make recommendations to reduce or address our long-term fiscal health.	•Create a consensus on spending cuts and revenue increases needed to address our deficits	•Congress must take an up or down vote on the recommendations. It cannot amend them.	

The status quo is not an option.

We urgently need health care reform to help solve our nation's fiscal crisis and provide greater access to quality, affordable health coverage.

Over the last ten years, Colorado families have been saddled with too much debt.

Families are making less.

Colorado Median Family Income	IS DOWN $783

Families are paying more.

Health Care Costs Premiums in Colorado	ARE UP $1,493 (97%)
Higher Education Costs	ARE UP $5,428 (50%)

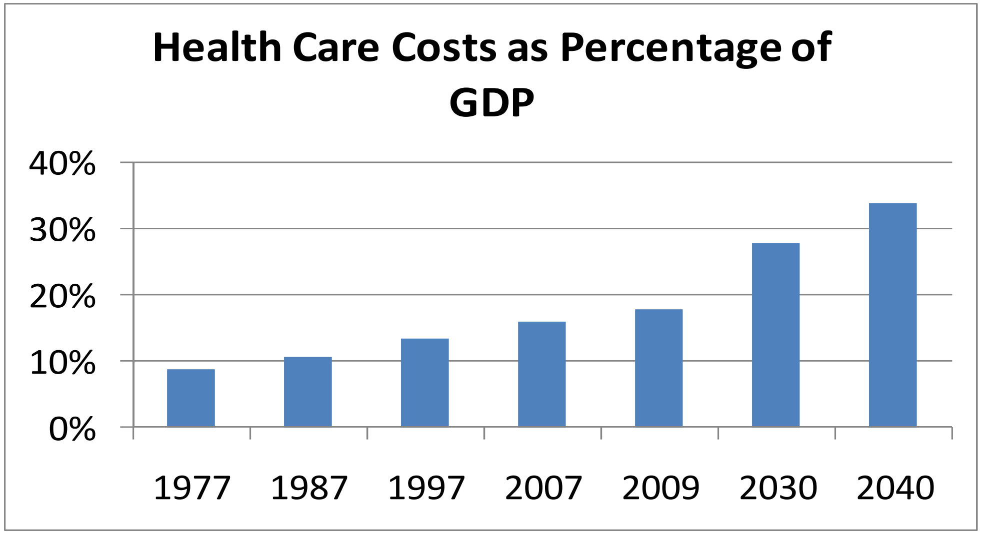
And…

Families are relying on home equity loans and credit cards to make up the difference.

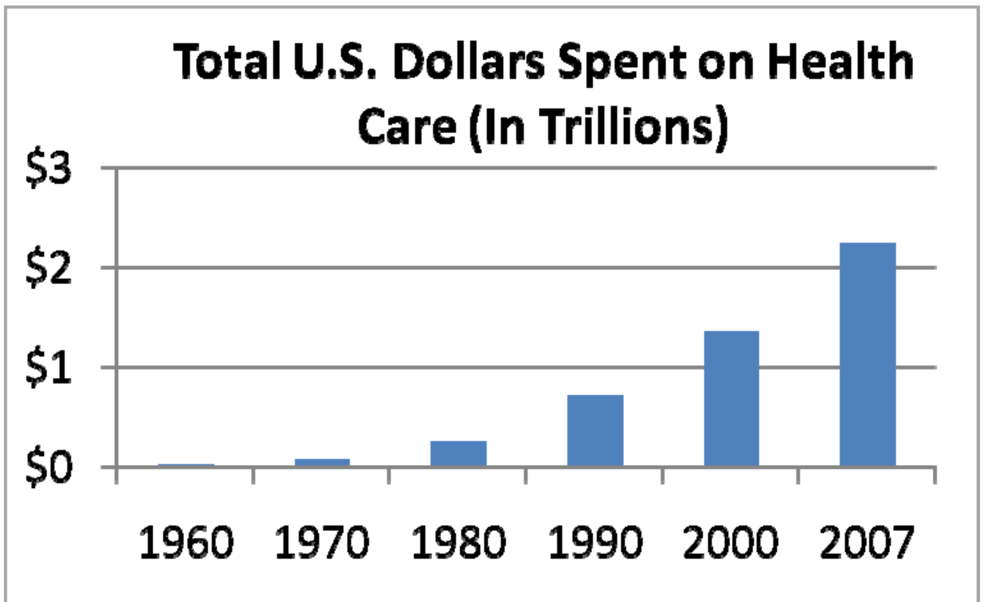
No wonder Colorado families are struggling to make ends meet.

Source: U.S. Census Bureau, Medical Expenditure Panel Survey (MEPS) data, National Center for Education Statistics

Health care is bankrupting America.



We can't expect to compete when health care accounts for 1/5 of our economy.

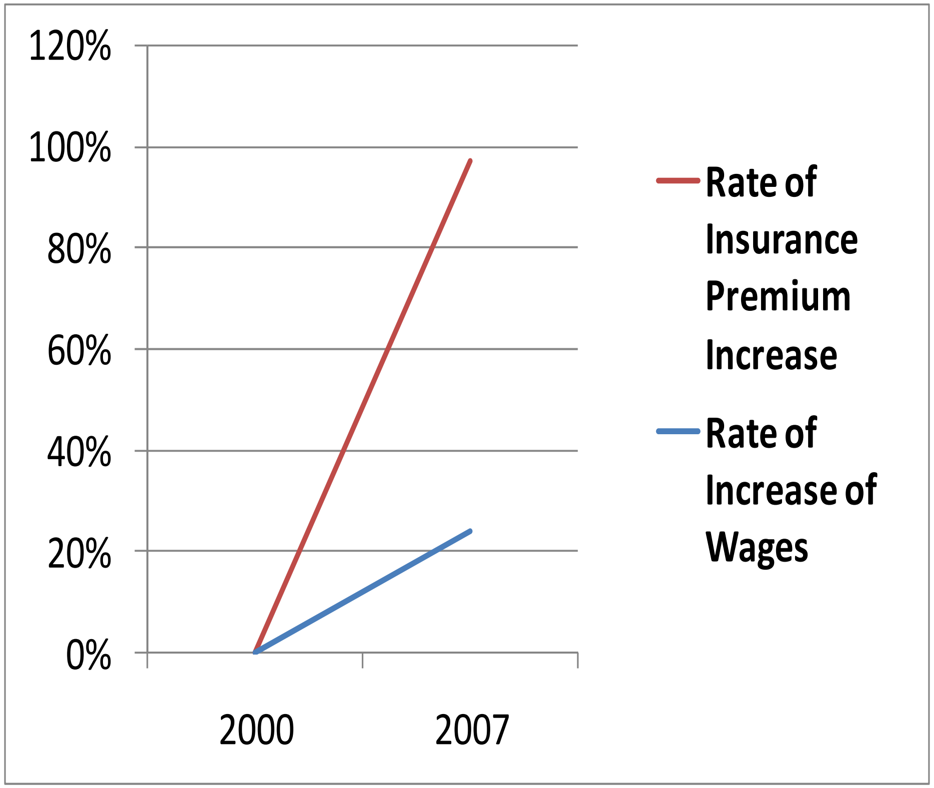


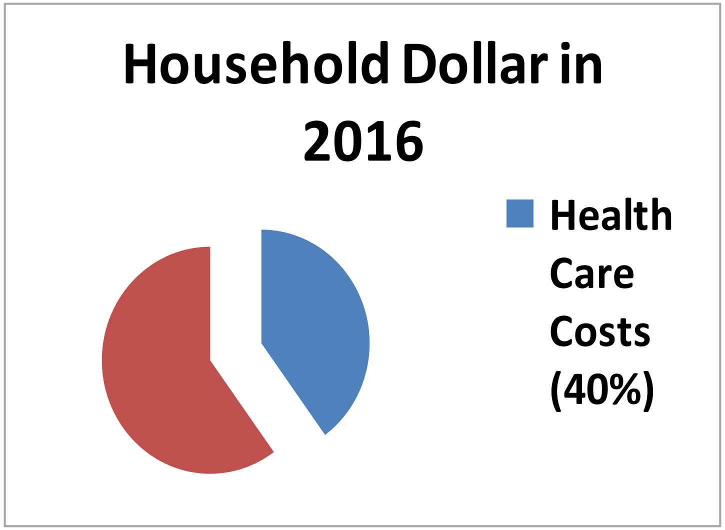
Total US dollars spent on health care increased from $27.5 billion in 1960 to $2.2 trillion in 2007.

Source: Council of Economic Advisors: The Economic Case for Health Reform, 2009; Center for Medicare and Medicaid Services, Health Expenditure Accounts, 2009

Rising health care costs are forcing Colorado families to make tough choices, requiring them to cut back on savings, education, and household expenses.

In Colorado, insurance premiums have increased FOUR TIMES FASTER than wages. The average cost of premiums for Colorado families is over $13,000 today. If we do nothing, premiums will average $25,000 in 2016.

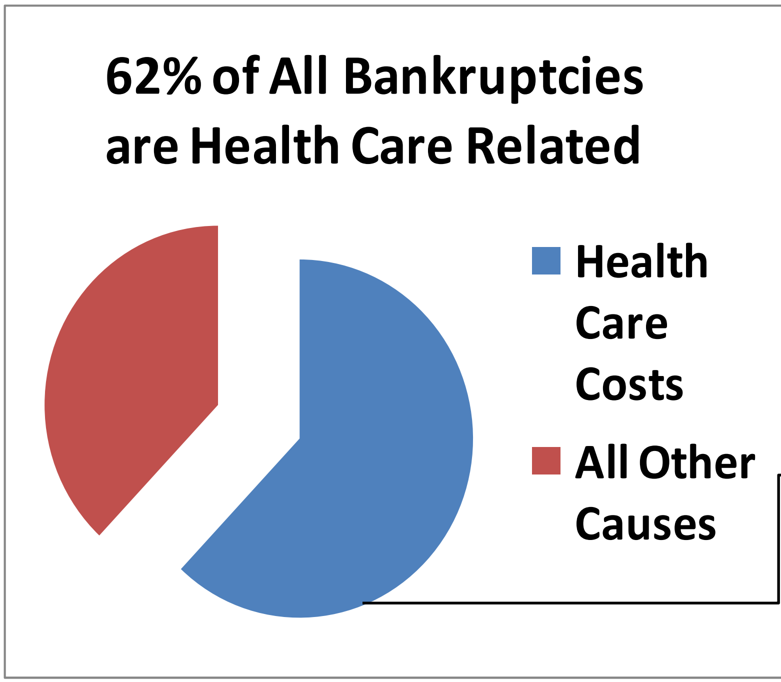


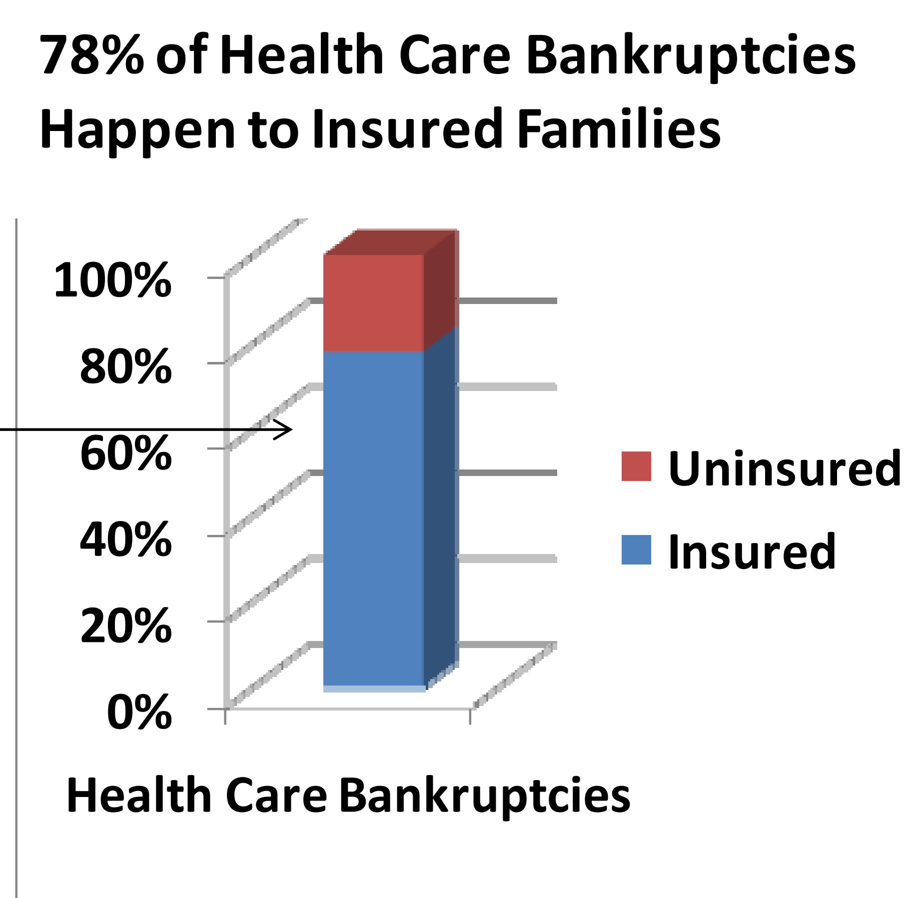


If this trend continues, by 2016, 40 cents on every dollar a typical Colorado family earns will be consumed by Health Care Costs.

Source: Families USA, Medical Expenditure Panel Survey (MEPS) data

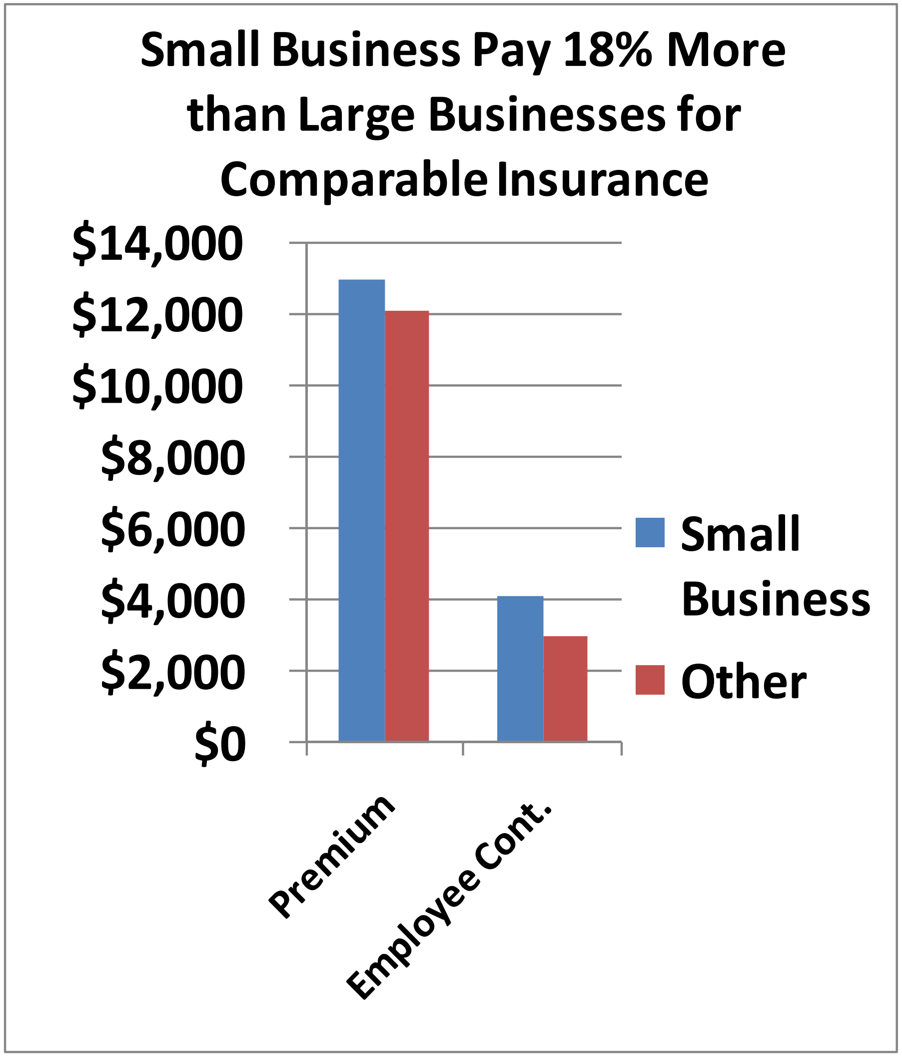
Health care is bankrupting middle-class families.

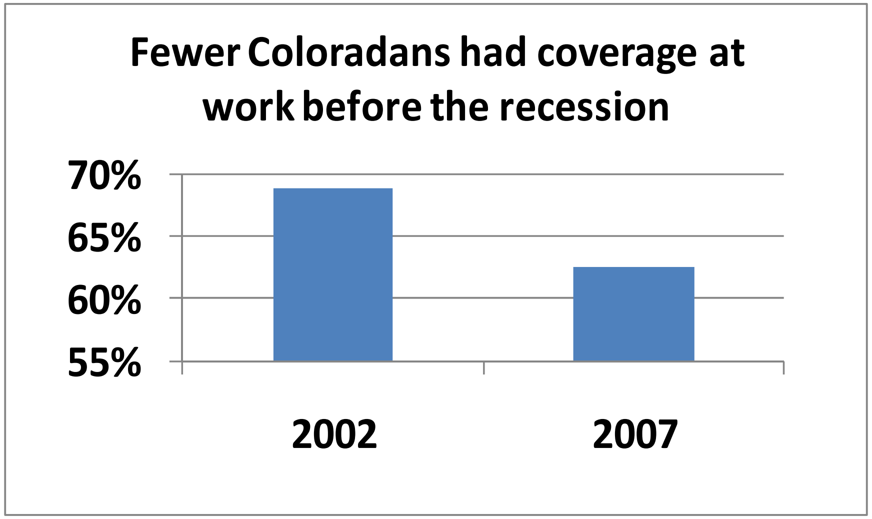


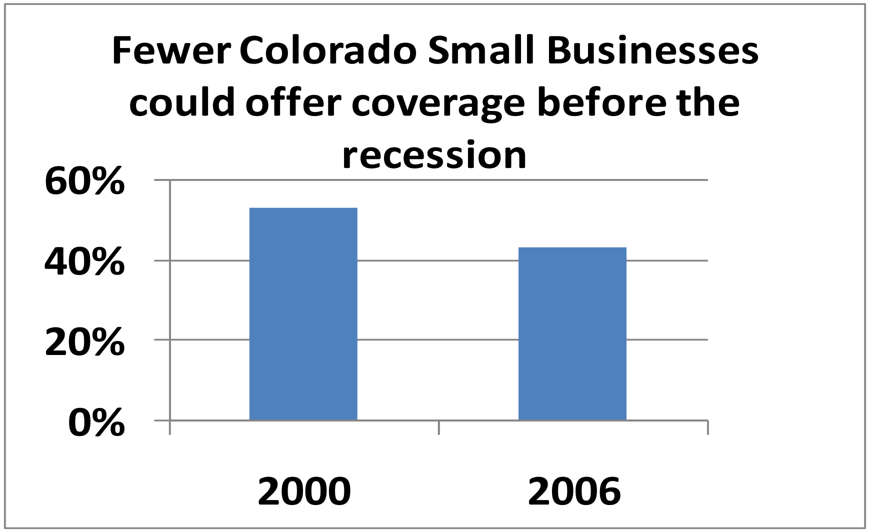


Source: American Journal of Medicine

Rising health care costs are hitting small businesses the hardest and forcing all Colorado businesses to make tough choices.







Sources: White House Council of Economic Advisers: The Economic Impact of Healthcare Reform on Small Business, 2009; Kaiser Family Foundation and Health Research and Educational Trust, Employer Health Benefits: 2008 Survey; Medical Expenditure Panel Survey (MEPS)]

Driving costs down: the first step in reform.

6 Ways We Can Bend the Cost Curve and Improve Care

1 **Change incentives so they are based on the quality of care, not the quantity of care. The Medicare fee-for-service system pays based on the number of procedures not the quality of care.**

2 **Coordinate Patient Care: Rocky Mountain Health Plans has shown that there is substantial savings when doctors focus on working together in the best interests of the patient, instead of working without talking to each other.**

3 **Spend more money on preventative care, before the onset of chronic conditions. Nearly 75% of our health care costs are spent on treating chronic conditions instead of working to prevent them in the first place.** [Source: Center for Disease Control, November 2008]

4 **Increase competition: The two largest health insurance companies in Colorado own 53% of the market share. In some rural areas one company's market share can be as high as 80%.** [Source: AMA: Competition in Health Insurance, 2007]

5 **Use cost saving technology. We are spending $77 billion every year that could be saved with the use of technology.** [Source: Alliance for Health Reform 10/08]

6 **Bundle payments: Bundling payments will slow down cost growth, change the system so we're paying for performance outcomes, and provide better coordinated care for patients.** [Source: Congressional Budget Options, Budget Options, December 2008]

Common sense reform.

Common Sense Reforms

PROBLEM	Status Quo	Responsible Reform
End Discrimination for Pre-Existing Conditions	NO	YES
End Exorbitant Out-of-Pocket Expenses	NO	YES
End Annual or Lifetime Caps on Coverage	NO	YES
Insurance Companies Prohibited from Dropping Coverage Because You Become Sick	NO	YES
Keep Health Care Insurance When You Change Jobs or Lose Employment	NO	YES
More Choice, Competition, and Coverage for Small Business and Consumers through Health Insurance Exchange	NO	YES
Remove the Hidden Tax of $1,000 to Cover the Cost of Uninsured	NO	YES
Ensure that Medicare remains viable for seniors	NO	YES

In the end, reform has to be about creating a health care system that controls costs and protects our fiscal solvency, while ensuring the ability of every American to have affordable access to quality health care.