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## WHAT'S BEHIND THE BUDGET BATTLES BETWEEN THE PRESIDENT AND CONGRESS?

In his conflicts with Congress over issues from taxes to children's health insurance to appropriations bills, the President is casting himself as the defender of fiscal responsibility. His actions, however, tell a different story.

In fighting congressional efforts to pay for tax-cut legislation, rather than to let the deficit rise, the President is insisting that tax loopholes for extremely affluent equity-fund and hedge-fund managers remain untouched. Similarly, in threatening to veto Medicare legislation being developed in Congress, he is insisting that billions of dollars in government overpayments to private health insurance companies remain untouched. He is also demanding that Congress cut billions of dollars from domestic programs ranging from education to medical research to help for poor families and elderly people with soaring winter heating bills.

The obvious conclusion is this: the President's stance is not about fiscal responsibility, but rather that Congress must bow to his priorities.

### **AMT Relief: Rejecting the House's plan to pay for it.**

- The Administration has said it would veto a House-approved bill to offset the cost of extending relief from the Alternative Minimum Tax (AMT) for upper-middle-income taxpayers by closing lucrative tax loopholes used by managers of private equity firms and hedge funds, many of whom make millions of dollars a year. The Senate has now fallen in line with the President's wishes.
- Extending AMT relief *without* paying for it, as the Administration favors and as the Senate has approved, would add \$51 billion in deficits this year alone — and up to \$1.3 trillion over the coming decade if Congress keeps doing that.
- There are no free lunches. If the nation doesn't pay for extending AMT relief now, it will have to later, through tax increases, spending cuts, or both, that are likely to affect millions of ordinary working families.

### **Medicare: Protecting billions in overpayments to private insurance companies.**

- Congress is crafting Medicare legislation to avert a large cut (taking effect in January) in Medicare payments to physicians. To help offset the cost, Senate Finance Committee Democrats and Republicans were negotiating a very modest scaling back of the large overpayments to private "Medicare Advantage" plans, which serve some Medicare

patients. (The House has passed legislation to largely eliminate these overpayments, avert the cut in doctors' fees, and make other improvements in Medicare, especially for low-income beneficiaries.) But in a letter to Congress this week, HHS Secretary Leavitt signaled the Administration will veto the bill if it contains any Medicare Advantage savings.

- Although private insurance companies were brought into Medicare to *lower* costs, both CBO and the Medicare Payment Advisory Commission (MedPAC) — Congress' own expert advisory body on Medicare payment policy — have found that they receive *12 percent more*, on average, than it would cost traditional Medicare to cover the same people. MedPAC has unanimously recommended that Congress curb these overpayments, and has warned that failure to do so threatens the financial stability of Medicare.
- CBO has reported that these overpayments will total \$54 billion over the next five years and \$149 billion over ten years. That will accelerate Medicare's insolvency and ultimately necessitate much larger benefit cuts, tax increases, or both than would otherwise be needed to restore financial stability to the program.

### **Children's Health: Rejecting a tobacco tax increase to pay for expanded coverage.**

- The President says he vetoed bipartisan legislation to provide nearly 4 million uninsured children with health coverage under the State Children's Health Insurance (SCHIP) program because, among other things, it was financed through an increase in tobacco taxes. The Administration says it would veto any children's health compromise that is financed by increased tobacco taxes.

### **Domestic Appropriations: Demanding domestic cuts.**

- The President insists that Congress cut overall funding for domestic appropriated programs to the level in his 2008 budget — which is *\$16 billion below* the 2007 level, after adjusting for inflation.
- The President has vetoed the Labor-HHS-Education appropriations bill as excessive. Cutting that bill down to the President's level would require significant cuts in medical research (\$1.4 billion), K-12 education (\$1.3 billion), home heating assistance for the poor (\$630 million), Head Start (\$254 million, enough to serve nearly 34,000 children), and other programs.
- Similarly, if funding for the nutrition program for low-income pregnant women, infants, and young children, known as WIC, is cut to the President's level, the number of women, infants, and children receiving this assistance next year will be cut by more than 500,000.