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RYAN'S RESPONSE TO CBPP ANALYSIS OF "ROADMAP" IS OFF BASE

We are quite disappointed that, in responding to our analysis[1] of his budget plan, Rep. Paul Ryan accuses[2] the Center on Budget and Policy Priorities of "partisan demagoguery" as well as "factual errors and misleading statements." Quite the contrary, we applied the same rigorous analytical process to Rep. Ryan's *Roadmap for America's Future* that we do to every issue we study. We worked for more than a month on our analysis, and we believe that, if anything, we bent over backwards to make sure we were fair to the Congressman and his plan. Frankly, based on the attack on our analysis that Rep. Ryan issued, we took his plan far more seriously than he took our analysis of it.

Rep. Ryan accuses us of partisanship, but we relied on the best nonpartisan sources available. The Tax Policy Center, on whose revenue estimates we relied heavily, is a highly respected, nonpartisan institution whose codirector, Rosanne Altshuler, was senior economist for President George W. Bush's Advisory Panel on Federal Tax Reform in 2005. Our other key sources of information included the nonpartisan Congressional Budget Office and the Chief Actuary of the Social Security Administration. Rep. Ryan says that we made errors and misleading statements, but it is he — not we — who has done so. He ignores what we wrote and accuses us of writing things that we did not. In fact, he even selectively deletes words from a sentence that he quotes from one of our earlier reports to change the clear meaning of what we wrote. He also inaccurately represents some important aspects of CBO's analysis of his plan.

As outlined below, we examined every one of Rep. Ryan's complaints about our work, and not a single one withstands scrutiny. A new analysis by the Chief Actuary of the Social Security Administration, however, provides revised estimates for two figures cited in our original analysis.[3]

CBO's Revenue Assumptions

Ryan's Assertion: The Center wrote that the Congressional Budget Office (CBO) "was directed not to score revenues for the Roadmap by staff."

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1 http://www.cbpp.org/cms/index.cfm?fa=view&id=3114.

2 *Rep. Ryan Responds to CBPP's Analysis of "A Roadmap for America's Future,"* March 11, 2010. http://www.roadmap.republicans.budget.house.gov/News/DocumentSingle.aspx?DocumentID=175628

3 The Center released its original analysis on March 10, 2010. We have updated that paper to reflect the April 27 estimate by the Social Security Administration's Chief Actuary of the latest version of Ryan's proposal: http://www.cbpp.org/cms/index.cfm?fa=view&id=3114

Our Response: Untrue. Rep. Ryan misrepresents what we said. We explained that CBO does not prepare revenue estimates (the Joint Tax Committee does that), and we wrote: "In its analysis of the Ryan plan, CBO did not attempt to measure the revenue losses that Rep. Ryan's proposals would generate. Instead, as its report states, CBO simply used an assumption specified by Rep. Ryan's staff."

Tax Policy Center's Revenue Estimates

Ryan's Assertion: Ryan challenges the revenue estimates by the Tax Policy Center (TPC) and suggests that *his* revenue estimates — which his staff produced — are better. He also says he would be "open to adjustments in the specified rates under his tax reforms if in fact the TPC's estimates are closer to reality than Ryan's estimates."

Our Response: In the absence of estimates from the Joint Committee on Taxation, the estimates by the nonpartisan, highly regarded TPC — staffed by leading nonpartisan tax experts and codirected by the former senior economist of President George W. Bush's tax reform commission — are the most authoritative ones available and deserve much more credence than those that Rep. Ryan's staff produced. If Rep. Ryan changes his proposed tax policies and TPC updates its estimates, we will revise our analysis accordingly.

Cost of Medicare

Ryan's Assertion: Ryan challenges our statement that his "plan imposes no requirement that private insurers actually offer health coverage to Medicare beneficiaries at an affordable price."

Our Response: Although Ryan cites this as an example of an error or misleading statement on our part, he then fails to dispute it. He merely cites a section of his plan that directs the Department of Health and Human Services to publish a list of Medicare-approved health plans; he glosses over the issue of affordability, which was the heart of our statement. The simple fact is, as we wrote, that under the Ryan plan there is no requirement that private insurers offer coverage to Medicare beneficiaries at an affordable price. We believe that many frail seniors and people with disabilities would find adequate health insurance coverage priced out of reach.

Standards for Medicare Benefits

Ryan's Assertion: Ryan takes issue with our statement that his plan "establishes no specific standards for Medicare benefits."

Our Response: Here, as well, Rep. Ryan is incorrect. He notes that section 301 of his bill (H.R. 4529) defines "qualified health coverage" under Medicare. But neither section 301 nor any other provision in the bill establishes *any standards for Medicare benefits*, which was our point.

Changes to Medicaid

Ryan's Assertion: Ryan accuses the Center of partisanship because we allegedly commented more favorably about "similar" Medicaid changes made in a health bill introduced by Senators Ron Wyden (D-Oregon) and Bob Bennett (R-Utah).

Our Response: There are two points here. First, the Medicaid changes in the Wyden-Bennett bill and in the Ryan plan are not similar. In the Wyden-Bennett bill, Medicaid would be restructured to provide “wrap-around” coverage to supplement the coverage that Medicaid beneficiaries would receive through private insurance plans. In the Ryan plan, by contrast, acute-care benefits under Medicaid would be completely eliminated for low-income seniors and families with children, and there would be *no* wrap-around coverage to maintain important health services, especially for children, that Medicaid provides but private insurance does not. Second, Rep. Ryan takes a sentence from our analysis of the Wyden-Bennett bill and deletes key parts of it to change its plain meaning and to falsely make our treatment of the Wyden plan and his plan look inconsistent and supposedly partisan. He quotes us as praising the Wyden-Bennett bill for “converting Medicaid and SCHIP into effective supplemental wrap-around programs.” What we actually wrote was, “While converting Medicaid and SCHIP into effective supplemental wrap-around programs is possible in theory, it is quite difficult to do in practice.” We explained that we thought the Wyden-Bennett bill fell short in this area and would likely lead to reduced access to needed care for many low-income beneficiaries.

Social Security Privatization

Ryan’s Assertion: Ryan disputes our statement that his plan would partially privatize Social Security. He says his new system of Social Security individual accounts would not be “private” because it would be overseen by a government board.

Our Response: What makes these accounts private is their *ownership*, not their oversight or management. Ryan’s response itself states that “the accounts are owned by the individual.” In their management and ownership, these accounts would be similar to what President Bush proposed in 2005, and there was no dispute at the time that they should be considered “private.” Indeed, that’s what their proponents were touting.

General Revenue Transfers to Social Security

Ryan’s Assertion: Ryan disputes our statement that his plan would require $4.9 trillion in general revenue transfers to the Social Security system.

Our Response: As we carefully explained in our paper of March 10, the $4.9-trillion figure was an estimate that the Social Security Administration’s Chief Actuary released on an earlier (2008) version of Ryan’s plan, taking stock-market risk into account. According to the actuary’s analysis of the current version of Ryan’s proposal, which was released on April 27, the plan would require general revenue transfers totaling $1.2 trillion between 2037 and 2056, and those transfers would not be fully repaid until 2083.

Cost of the Social Security Guarantee

Ryan’s Assertion: Ryan challenges our statement that his requirement that the Treasury bail out private-account holders for stock-market losses could cost $2.9 trillion and that this cost is not reflected in the CBO report on his plan. He claims that CBO explicitly estimated this cost and included it in its projections of his plan.

Our Response: The $2.9 trillion figure now appears to be substantially too high. As stated in our report of March 10, it was the estimate of the Chief Actuary of the Social Security Administration based on an earlier version of Rep. Ryan's plan. Ryan has significantly scaled back his proposed guarantee compared to the 2008 version of his proposal, making the accounts less risky for the government and more risky for their owners. The actuary's new analysis of the current version of the Ryan plan estimates that the revised guarantee would cost only $60 billion.

Our description of the CBO cost estimate remains accurate. We wrote, "These potential bailout costs — like the cost of the plan's very large tax cuts — are not reflected in the CBO estimates that Rep. Ryan cites when touting the plan's fiscal responsibility." *We confirmed the accuracy of this statement with CBO before issuing our report.* CBO conducted separate analyses of the proposed benefit guarantee, but CBO's budget estimates reported in Appendix II of the Ryan plan do *not* include the cost of the guarantee.

Reductions in Social Security Benefits

Ryan's Assertion: Ryan lists as another "error or misleading statement" our statement that his plan "would cut traditional guaranteed Social Security benefits substantially compared to the benefits now scheduled to be paid."

Our Response: In fact, Ryan does not dispute our contention that his proposals to alter the indexing of Social Security benefits and raise the full retirement age would cut benefits for the average retiree compared to current law. He correctly notes that his plan contains a modest benefit increase for some very low earners and that currently scheduled taxes are not permanently sufficient to finance scheduled benefits. But these points in no way contradict what we wrote. Our report made the point that his plan would provide massive tax cuts to the wealthiest Americans even as it cut Social Security benefits for average workers.

Projected Levels of Federal Debt

Ryan's Assertion: Rep. Ryan attacks the Center for asserting that debt is higher under his plan "using Tax Policy Center revenue estimates." He notes that TPC has only produced revenues estimates of the *Roadmap* through 2020 and claims we inappropriately "manufactured" the debt levels for years after that.

Our Response: Our report carefully explains how we calculated, in an analytically sound way, the longer-term projection of revenues under Ryan's plan. Specifically, we used TPC's estimates through 2020 and assumed that after that, revenues as a share of the economy (GDP) would grow from the level TPC estimated for 2020 at the same rate that CBO assumes revenues will grow if current tax policies (including the 2001 and 2003 tax cuts) are extended. If anything, our estimate is likely to *overstate* revenues, and thus to understate the debt that would result, after 2020 under Ryan's plan for two reasons. First, Ryan's plan would create very large new opportunities for tax sheltering and tax avoidance by eliminating all taxes on corporate profits, capital gains, and dividends, and thereby giving people huge incentives to convert as much of their ordinary income as possible into these forms of tax-free income. TPC's estimates do not reflect these likely revenue losses because TPC cannot yet quantify them. Second, we assumed that bracket creep would cause revenues to rise after 2020 under the Ryan plan just as quickly as under current tax policies — even though Ryan's plan has a flatter tax system with only two tax rates and, thus, revenues would likely grow more slowly than under current tax policies. In short, our methodology almost certainly makes deficits and debt after 2020 look lower under Ryan's plan than they actually would be.