

# GOP Aim: Cut \$4 Trillion

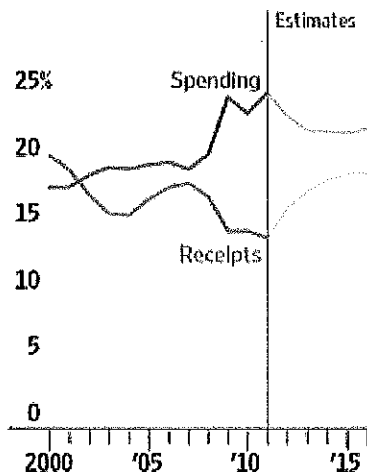
*Budget Plan Would Transform Medicare, Reset Budget Debate; Democrats Balk*

By NAFTALI BENDAVID

Republicans will present this week a 2012 budget proposal that would cut more than \$4 trillion from federal spending projected over the next decade and transform the Medicare health program for the elderly, a move that will dramatically reshape the budget debate in Washington.

## Out of Balance

Federal government spending and receipts as a percentage of gross domestic product



Source: Office of Management and Budget

The budget has been prepared by Rep. Paul Ryan, a Wisconsin Republican and the new chairman of the House Budget Committee, and it represents the most complete attempt so far by Republicans to make good on their promises during the 2010 midterm elections to cut government spending and deficits.

Though Rep. Ryan based the Medicare portion of his budget on a previous plan created in collaboration with a Democrat, Alice Rivlin, a senior fellow at the Brookings Institution and long-time budget expert, the current plan isn't likely to get much Democratic support. Instead, it will set up a broad debate over spending and the role of government heading into the 2012 general election.

The plan would essentially end Medicare, which now pays most of the health-care bills for 48 million elderly and disabled Americans, as a program that directly pays those bills. Mr. Ryan and other conservatives say this is necessary because of the program's soaring costs. Medicare cost \$396.5 billion in 2010 and is projected to rise to \$502.8 billion in 2016. At that pace, spending on the program would have doubled between 2002 and 2016.

Mr. Ryan's proposal would apply to those currently under the age of 55, and for those Americans would convert Medicare into a "premium support" system. Participants from that group would choose from an array of private insurance plans when they reach 65 and become eligible, and the government would pay about the first \$15,000 in premiums. Those who are poorer or less healthy would receive bigger payments than others.

"There is nobody saying that Medicare can stay in its current path," Mr. Ryan said on Fox News Sunday. "We should not be measuring ourselves against some mythical future of Medicare that isn't sustainable."

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**Should the Ryan budget plan, which cuts \$4 trillion in spending and transforms Medicare, be enacted?**

- Yes
- Sounds promising but need more details
- No

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Associated Press

House Budget Committee Chairman Paul Ryan, (R., Wis.), and the Senate Budget Committee's top Republican, Sen. Jeff Sessions of Alabama, right, deliver the GOP response to President Obama's budget submission for Fiscal Year 2012, Feb. 14, 2011.



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The proposal would also convert Medicaid, the health program for the poor, into a series of block grants to give states more flexibility. And it is expected to suggest significant cuts in Social Security, while proposing fewer details on how to achieve them.

The federal government expects to spend about \$275 billion in 2011 on Medicaid, the program that provides medical care to the poor and disabled, up from \$117.9 billion in 2000. The Congressional Budget Office projects Medicaid spending will roughly double by 2021.

Conservative activists who are familiar with the Ryan plan said they expect it to call for a fundamental overhaul of the tax system, with a 25% top rate for both individuals and corporations, compared to the current 35% top rate. It is expected to raise about the same amount of money as the current system, however. Lawmakers already are considering ways to accomplish that by reducing or eliminating some deductions and other tax breaks.

Some conservatives also expected the budget plan to tout a temporary tax change that would let U.S. multinationals bring home as much as \$1 trillion in profits at a greatly reduced tax rate. That money currently is parked overseas, beyond the reach of U.S. corporate taxation.

Mr. Ryan and other Republicans on Sunday made it plain a primary goal in advancing the budget plan is to start setting the terms of a debate for the 2012 election, and to move beyond the debate over trimming tens of billions in spending during the remaining six months of the current fiscal year. The government could partially close on Friday if no deal is reached.

Democratic and Republican negotiators have reached agreement on how to divide up \$33 billion in cuts for this year, a congressional aide familiar with the talks said Sunday. Specific trims haven't been set, but amounts have been allocated to broad categories like agriculture and interior.

Democrats are pushing to meet the target in part by cuts to mandatory programs, such as agricultural subsidies.

Mr. Ryan wouldn't be more specific in the "Fox News Sunday" interview about his spending reduction targets, saying Republicans were still working on the numbers. The Congressional Budget Office estimates that the government is on track to spend \$45.77 trillion in the next 10 years, and that total deficits will amount to nearly \$12 trillion if current policies are extended.

By suggesting sweeping changes to Medicare, as well as Medicaid and Social Security, Republican leaders are gambling that Americans are worried enough about the growing national debt to accept overhauling social programs that now cover medical costs or provide monthly incomes for a substantial swath of the public.

As the debate in Congress has shifted to how much to cut federal spending, instead of how much more to spend for stimulus programs or other efforts to prop up the economy, lawmakers in both parties, and President Barack Obama, have said there is no way to make a significant dent in projected deficits without some action to overhaul Medicare, Social Security and Medicaid, which make up 60% of the budget.

Mr. Ryan said Sunday his plan would propose capping overall federal spending at close to "historic levels," which were closer to 20% of GDP during the 1990s through 2008.

Democrats say the GOP plan will leave millions exposed to financial risks. The Medicare premium subsidies would grow more slowly than health costs, they say, so seniors would end up with less coverage.

"All this does is shift the risk and burden of rising health-care costs to seniors on Medicare," said Rep. Chris Van Hollen (D., Md.), the top Democrat on the House Budget Committee. "You're on your own with the insurance industry."

The plan's supporters say it would cut costs without sacrificing quality by introducing competition among insurers.

Mr. Ryan isn't alone in attempting to move the budget debate beyond the 2011 fight and Mr. Obama's 2012 blueprint. A bipartisan group of senators led by Sen. Mark Warner (D., Va.) and Sen. Saxby Chambliss (R., Ga.) and known as the "Gang of Six" is working on a proposal to cut \$4 trillion from the projected federal deficit, building from recommendations of President Obama's deficit commission.

Mr. Warner said he is concerned that Mr. Ryan's plan will rely too heavily on cutting social programs, and not take aim at defense spending or "look at major tax reform that would actually raise revenues."

Ms. Rivlin said in an interview Sunday she would have preferred a plan that phased in more quickly and left a traditional Medicare program as a default option for seniors. But overall she supported Mr. Ryan's idea. "What Democrats have to realize is we have to do something," Ms. Rivlin said. "Current policy on Medicare is not sustainable. You can worry about how you structure a premium support program, but I think it's a good way to think about the future of Medicare."

—John D. McKinnon contributed to this article.

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