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House Republican budget plan would revamp Medicare

The proposal, outlined by Rep. Paul Ryan, would aim to cut at least \$4 trillion from the deficit over 10 years.

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Reporting from Washington

Pressing their differences with President Obama, House Republicans will propose a 2012 federal budget Tuesday that includes an overhaul of Medicare and Medicaid and would aim to chop at least \$4 trillion from the federal deficit over the next decade.

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House Budget Committee Chairman Paul D. Ryan's broad overview of the plan, which he described Sunday, is the clearest picture yet of how the party plans to reduce government spending over the long term. It also telegraphs the central role the issue will play in the GOP's pitch to voters in 2012.

The combination of changes to entitlement programs and spending cuts sketched out by the Wisconsin Republican amounts to a dramatically different approach to deficit and debt reduction. But it also puts the party in politically dangerous waters.

Much entitlement spending — including Medicare — benefits the middle class, making dramatic changes controversial and politically risky. Republicans demonstrated the political power of the issue last year when they campaigned against Obama's healthcare overhaul in part by warning seniors the new law would cut Medicare.

Still, experts said it was all but impossible to take a major bite out of the national debt without addressing the rising costs of the program, along with other entitlements benefits. Ryan did not mention the other most contentious piece of the puzzle: Social Security.

"We are giving [Democrats] a political weapon against us, but look, they're going to have to lie and demagogue," Ryan said on "Fox New Sunday." "Shame on them if they do that."

Under the proposed rework of the Medicare program, seniors would chose from several federally subsidized health plans. The changes would take effect in 2021 and would not affect

people who are 55 or older now, Ryan said.

The plan would distribute funding to states for Medicaid, the program that provides healthcare to the poor and disabled, by block grants, rather than by formula.

Ryan declined to offer exact estimates on the proposal's effect on the deficit, but said the plan would go further than the recommendations of Obama's deficit reduction commission, which proposed nearly \$4 trillion in cuts through 2020.

"We believe in exceeding the goals put out by the president's debt commission," he said.

In February, Obama proposed a budget that aimed to cut \$1.1 trillion from the deficit over 10 years by increasing tax revenue and making targeted budget cuts. He did not suggest structural changes to Medicare, Medicaid or Social Security.

Republicans criticized that plan as ignoring the primary reasons for escalating debt and deficits, as well as many of the key solutions proposed by the bipartisan commission that Obama asked to draft a reduction plan.

The GOP budget plan would attempt to make changes to mandatory spending programs as recommended by the commission — although not the specific changes endorsed by the panel.

Ryan described the proposal as dependent largely on spending cuts and entitlement changes rather than on increased revenue. Republicans are not expected to eliminate tax cuts for the wealthiest Americans that were enacted during the George W. Bush administration and extended under Obama in the waning days of the last Congress.

The GOP is making its proposal as House Republicans battle the Democratic-led Senate over federal spending levels. Having failed to pass a 2011 budget while Democrats controlled both chambers, lawmakers are locked in a fight over how to fund the government for the current fiscal year. In February, the House passed a measure with \$61 billion in cuts, which failed in the Senate.

Federal budget authority is set to expire Friday, leaving the threat of a government shutdown looming over discussions.

Negotiations continued Sunday, Senate Majority Leader Harry Reid (D-Nev.) said on CBS' "Face the Nation." Reid nearly taunted House Speaker John A. Boehner, saying the Ohio Republican was resisting compromise with Democrats because he was afraid of crossing conservative "tea party" activists.

GOP leaders must decide "whether they're going to do the right thing for the country or the right thing for the tea party," Reid said.

A spokesman for Boehner did not respond to a request for comment. The speaker has said he's trying to get the largest possible amount of spending cuts.

Ryan acknowledged that the Republican plan was landing in a bitter and divided political environment. The current spending fight involves a tussle over peanuts — tens of billions of dollars — compared with the reductions outlined in the GOP budget plan.

"Whether it's dead on arrival, I don't know, but where the president has failed to lead, we're going to fix this problem," he said.

Obama's deficit reduction commission issued its plan to tame the deficit late last year, encountering opposition from members of both parties. Some Democrats said it cut too much, while some Republicans, including Ryan, refused to sign on to its call to increase government revenue.

Ryan said Sunday that the House GOP plan would call for lower tax rates and a broader base, but he would not say whether that meant it would advocate closing specific corporate loopholes.

"We don't have a tax problem," he said. "The problem with the deficit is not because Americans are taxed too little. The problem with our deficit is that Washington spends too much money."

The response prompted swift criticism from Democrats.

"It is now clear that the Republican budget is not bold, but the same old ideological agenda that extends tax breaks to millionaires and big oil companies while cutting our kids' education and health security for seniors," said Rep Chris Van Hollen, (D-Md.), ranking member of the House Budget Committee. "As the bipartisan fiscal commission has shown, any responsible effort requires a balanced approach that addresses both spending and revenue."

Ryan described the Medicare plan as a version of a "premium support" system he crafted along with former Clinton administration budget director Alice Rivlin. He acknowledged the proposal would shift more of the burden for healthcare costs to seniors, saying the wealthiest seniors would bear the largest portion.

"More for the poor, more for people who are sick, and we don't give as much to the people who are wealthy," Ryan said. "This saves Medicare."

On Medicaid, the House GOP proposal would shift more control — and flexibility, advocates argue — to the states by distributing funds in block grants, Ryan said. Critics say the result would be a reduction in support for the neediest.

Ryan disputed that notion.

"Medicare and Medicaid spending will go up every single year under our budget," he said. "They don't go up as much as they're going right now because they're growing at unsustainable rates."

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