



**What Actually Happened in the Debt Ceiling Deal?
What Will Be the Impact on Health Care and Health Reform?**
(updated August 4, 2011)

What does the debt ceiling deal have to do with Doctors for America's goals of improving the health of the nation and ensuring that everyone has access to affordable, high-quality health care? A lot. Read on.

2011: Federal Government Keeps Functioning – Including Medicare and Medicaid

The U.S. government did not default on its financial obligations or grind to a halt on August 2. Medicare, Medicaid, FDA, CDC, NIH, and other related programs continue to function and to implement health reform provisions, for now.

2012 and Beyond: Decrease the Federal Deficit

The U.S. debt will be allowed to increase from \$14.3 trillion to \$16.4-16.7 trillion to cover our costs through 2013. The federal budget and debt will continue to grow every year, but at a lower rate than currently projected. To slow the rate of debt increase, projected federal deficits will be decreased by a total of \$2.1-2.4 trillion in the 11-year period of 2012-2022, equal to the amount of new borrowing authorized by the deal.

What Changes Are Happening?

STEP ONE: Projected 10-year federal deficit will be decreased by \$917 billion in 2012-2021. Debt ceiling will be raised by \$900 billion.

- Deficit reduction will come entirely from decreasing spending - equal parts defense and domestic spending cuts. Exact cuts will be determined by Congress during the regular budget process.
- For 2012, the 1-year federal budget will be \$1.043 trillion instead of \$1.055 trillion. The deal cuts \$22 billion from the projected budget and is \$7 billion less than the 2011 budget. Cuts will increase in each subsequent year.
- Pell grants (college loans for low- and low-middle income students) will increase by \$17 billion over 2 years. Graduate student federal loans will no longer be subsidized - including for medical students.
- **What Happens to Health Care, Our Patients, and Health Reform: Initial \$900 billion will include no cuts to Medicare beneficiaries (copays, premiums, eligibility) or Medicaid.** The other programs that are protected from cuts are social security and food stamp programs. The final list of cuts may include other health care spending.

STEP TWO (Option A): Trigger – if Congress doesn't pass a compromise deal by Christmas on cutting the 10-year deficit by another \$1.2 trillion through some combination of spending cuts and tax revenues – automatic across-the-board cuts of \$1.2 trillion will happen for 2013-2022. The debt ceiling will be raised by \$1.2 trillion.

- Deficit reduction would come entirely from decreasing spending – equal parts defense and non-defense spending cuts – each totaling \$500-600 billion. Non-defense programs could be cut by 4%.
- The trigger was designed to be big and unpalatable to encourage both sides of the aisle to negotiate a compromise deal for further cuts.

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- **What Happens to Health Care and Our Patients:** Again, no cuts to Medicaid, Medicare beneficiaries (copays, deductibles, and eligibility), Social Security, and food stamps are allowed. Medicare providers (hospitals, doctors, etc.) could have up to 2% in cuts, and other health care programs could have up to 4% in cuts along with other federal programs in every sector.
- **Significant Threat to Health Reform:** The trigger would cut major funding from health reform provisions, threatening programs like prevention programs, community health centers, grants to help states set up insurance exchanges and co-ops, and delivery system reforms.

STEP TWO (Option B): Joint Commission on Deficit Reduction develops a plan that decreases 10-year federal deficit by an additional \$1.2-1.5 billion. To avoid the trigger, Congress will need to approve the plan developed by the Joint Commission by Christmas. Debt ceiling is increased by \$1.2-1.5 billion.

- Decreased deficit can come from decreased spending, increased tax revenue, or both.
- 12 Members (6 Senators – 3 from each party; 6 Representatives – 3 from each party) will be appointed by Congressional leadership within 14 days after the debt deal passed. They have until Thanksgiving to finalize a deal that will be voted on by Congress with no amendments.
- **What Happens to Health Care and Our Patients:** Everything is up for negotiation in the Joint Commission for the Joint Commission – Medicare, Medicaid, CHIP, reform implementation, and more. See below.

What Changes Could Happen in the Joint Committee Deal?

Everything that has been discussed over the past few months and more will be on the table for discussion:

- Block grants for Medicaid that sharply reduce federal funding
- Turning Medicare into a voucher program, effectively privatizing it.
- Raising the age for Medicare to 67
- Increased copays and premiums for Medicare
- Elimination of funding for Affordable Care Act
- Cutting funding from: graduate medical education, prevention and public health infrastructure, primary care investments, community health centers, and more.

Why Doctors and Medical Students Should Speak Up Now

Doctors and medical students spoke out during the debt ceiling negotiations. We need to speak up again to make sure that the Joint Committee knows the facts of what we see on the ground. We need to make sure that Congress and the public hear that doctors are standing up to make sure that everyone has access to affordable, quality health care.

Congress is home in their districts listening to constituents for the entire month of August – the most significant window of time for them to hear from constituents like you before they return to negotiate the compromise deal. We need to speak up right now and through the fall because Congress is making key decisions on spending cuts in the debt ceiling agreement. Hundreds of billions of dollars are at stake in every federal program that finances medical care, graduate medical education, and population health.

Congress needs to hear from you.

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