Fiscal Reform Act of 2012

"I have shared with House and Senate leaders as well as the White House a 242-page bill that, along with other agreed-upon cuts that are to be enacted, would produce $4.5 trillion in fiscal reforms and replace sequestration. While I know this bill can be improved, it shows clearly that we can do what is necessary, today, with relatively simple legislation. The challenge we face isn't one of intellect, aptitude or time; it's a test of political courage." –U.S. Senator Bob Corker

Proposal	Spending Reduction	Revenue
Medicare Reform	$641 Billion	
Social Security Reform	$11 Billion	$140 Billion
Chained-CPI	$136 Billion	$87 Billion
Medicaid Reform	$70 Billion	
Federal Employee Hiring and Benefit Reform	$397 Billion	
Agriculture and SNAP Reform	$30 Billion	
General Government Reform	$8 Billion	
$50,000 Itemized Deduction Cap		$749 Billion
Interest Savings	$408 Billion	
Budget Control Act Caps	$917 Billion*	
Obama/Ryan Budget Overseas Contingency Operations Spending Levels	$910 Billion*	
Total	**$3.528 Trillion**	**$976 Billion**
Grand Total	**$4.504 Trillion in Deficit Reduction over 10 years**	

* Includes interest savings

MEDICARE: ***Structurally Transforms Medicare, Keeping Fee-for-Service Medicare in Place, Competing Side-by-Side with Private Options that Seniors Can Choose Instead. Would Significantly Reduce Costs <u>Without</u> a Spending Cap on the Program.***

Medicare's trust fund has $27 trillion in unfunded liabilities and is expected to be insolvent by 2024. Medicare needs to be structured in a way to provide care for current and future beneficiaries in a fiscally responsible manner. The bill would ensure that fee-for-service Medicare will exist permanently while providing beneficiaries an option of participating in a reformed Medicare Advantage program called "Medicare Total Health" with no artificial cap on spending growth. Beginning in 2017, all Medicare beneficiaries are eligible for a Total Health plan or to continue in traditional Medicare. Competition will bring down costs in both programs.

In addition, this bill would update cost-sharing requirements to reflect 21st century health insurance practices like capping out-of-pocket expenditures for beneficiaries and unifying deductibles and coinsurance structures. The bill also would:

- Improve solvency by requiring higher income beneficiaries to pay more for their premiums.
- Raise the eligibility age incrementally to 67 by 2027.
- Limit direct and indirect graduate medical education payments.
- Phase out bad debt payments by fiscal year 2019 except for dual-eligibles.
- Address the physician sustainable growth rate (SGR) by paying for it through 2015, while a better approach is developed.
- Accelerate Medicare home health productivity adjustments.

MEDICAID: ***Provides Increased Flexibility for States in Medicaid to Achieve Savings and Eliminates a Massive "Bed Tax" Gimmick Used to Bilk Federal Taxpayers.***

To alleviate the growing fiscal strain Medicaid is putting on states and our federal government, this bill would:

- Establish a waiver so states can manage their Medicaid programs with more certainty and flexibility.
- Prevent states from gaming the federal share of the program with state tax charges.

SOCIAL SECURITY: ***Achieves Long-Term Solvency for Social Security by Making Reforms Now that Would Be Much More Painful if Delayed.***

The Social Security program is now running annual deficits, and the Social Security Trust Fund is projected to be exhausted in 2033. In order to return the program to long-term solvency, the bill would:

- Enhance the progressivity of the benefit calculations.
- Provide better benefit options to those who need it most.
- To help maintain the trust fund, return the contribution base calculations back to 90 percent of covered earnings, which was the intended level after the 1983 Social Security reforms.
- Use a more accurate measure of inflation to calculate annual cost of living adjustments.
- Slowly raise the retirement age to better reflect longevity increases.
- Strengthen the solvency of the disability insurance program by moving beneficiaries onto SSI at the early retirement age.

TAX REFORM: ***Implements Pro-Growth Tax Reform that Broadens the Base and Provides Long-Term Certainty about Income Tax Rates.***

The current tax code is needlessly complex and adds uncertainty to an already tentative business environment, hindering job growth. To implement pro-growth tax reform, the bill would:

- Limit itemized income tax deductions at $50,000, generating $749 billion over 10 years, mostly from very high-income taxpayers.
- Permanently index the Alternative Minimum Tax (AMT) for inflation and make the Bush-era tax rates permanent, consistent with current policy.

GENERAL GOVERNMENT REFORM: ***Makes Common-Sense Reforms to the Federal Workforce and Agency Spending, as outlined by the National Commission on Fiscal Responsibility and Reform (Bowles-Simpson).***

The bill would enact the following changes to federal workforce and agency spending, including measures to:

- Continue the pay freeze for federal workers through the end of 2015.
- Reduce the federal workforce by requiring OMB and OPM to hire only one new federal employee for each three retirements.
- Cap federal travel costs at 80 percent of fiscal year 2013 levels for five years.
- Beginning immediately, cap GSA spending on new federal fleet vehicles at 80 percent of fiscal year 2012 levels.
- Direct OMB to identify and dispose of federal property that is excess, surplus, underperforming, or otherwise not meeting the needs of the federal government with an aggregate value of at least $4 billion by the end of fiscal year 2018.
- Reform federal employee pensions to make the benefits more comparable with the private sector. This proposal would only affect new employees.
- Require savings from common-sense reforms to mandatory agriculture programs.

MISCELLANEOUS: ***Implements Chained CPI Government Wide, Which Is a More Accurate Indicator of Inflation, and the Bowles-Simpson Proposal to Reform Government Employee Health Care.***

Currently, all income tax brackets and many federal programs are indexed to an old and imprecise measure of inflation that results in overspending. This bill would:

- Take the common-sense step of using chained CPI government-wide, including for Social Security and the tax code. Chained CPI is the Bureau of Labor Statistics' most modern and most accurate measure of inflation.
- Reform the Federal Employee Health Benefit program to cover the first $5,000 of an individual premium or the first $11,000 of a family premium beginning on January 1, 2013. Those amounts would increase annually by chained CPI.