

## Talking Points on PAYGO and the CHAMP Act

**The CHAMP Act Is a Significant Achievement for PAYGO.** The bill demonstrates Democrats strong commitment to fiscal responsibility while also providing important health coverage to needy children and seniors. Balancing budgets is never easy and there are always trade-offs, but this bill illustrates those choices can be made. The bill on the floor complies with the principle that all direct spending increases and tax cuts must be fully paid for. The non-partisan Congressional Budget Office score of the CHAMP Act bill on the floor shows that the bill does not increase the deficit over either the next five years or over the next ten years.

**CHIP was Created and Will Continue to Be Funded in a Fiscally Responsible Manner.** CHIP was created as part of the Balanced Budget Act of 1997. In the same manner, the CHAMP bill illustrates how it is possible to expand coverage to millions of uninsured children while also being fiscally responsible. The bill reauthorizes and strengthens the program by providing incentives for states to enroll eligible children. According to CBO, this bill will provide coverage to an additional five million eligible children, bringing total coverage to eleven million children.

**The CHAMP Act Makes the Hard Choices Necessary to Move the Country Forward.** Adhering to PAYGO means making hard choices, and this bill makes those choices. Over the last few days, the authors of this legislation reduced the amount they had planned to spend on CHIP, reforms to the physician payment system, and Medicare benefit improvements by \$73 billion in order to comply with PAYGO. Making these decisions was not easy, because these were not gimmicks. There simply was not enough money to do all of the good policies that we want to do right now.

*Physician Payments.* This bill invests \$67 billion toward addressing well-known problems in the Medicare physician payment system. Under current law, doctors will experience a payment rate cut of 10 percent in 2008 and additional cuts in the following years. The last two Republican Congresses failed to put any real resources into addressing this long-term hole, spending only \$3 billion over ten years to address these problems. The CHAMP Act takes solid steps toward real reform and filling the hole. The President's 2008 budget, by contrast, included no resources to reform the physician payment system.

*CHIP.* The committee-reported bill spent \$169 billion in CHIP and Medicaid over ten years. The floor bill adjusts bonus payments in the outyears, with a study to determine their effectiveness. These payments are incentives for states to establish outreach efforts to enroll eligible children who are not enrolled. If the study determines they are effective then Congress has the option to reinstate them. The bill also assumes states will be successful in facilitating aggressive outreach programs and will continue them. The changes do not sunset the CHIP allotments or include "budget gimmicks" as opponents of the bill have suggested. In fact, the baseline provides sufficient funding for states to continue covering the increased number of children enrolled in the program after 2012.

**The CHAMP Act Reduces Wasteful Medicare Spending AND Strengthens the Program for the Future.** This bill strengthens the Medicare program for all beneficiaries and saves \$157 billion over ten years by phasing out unjustified overpayments to Medicare Advantage private plans. These plans right now are paid 12 percent more than fee-for-service Medicare, without any clear benefit to seniors in relation to the extra money we are spending. What's worse, these overpayments shorten the solvency of the Medicare hospital trust fund by two years. Efficient, well-run private plans can compete on a level playing field with traditional Medicare and attract customers. To continue to subsidize inefficient plans that are of dubious benefit to seniors is just sheer waste and weakens Medicare for all seniors over the long run. By phasing out Medicare Advantage overpayments, the CHAMP Act makes great strides in reducing waste in the Medicare program.

**Republican Criticism of this Bill on Budgetary Grounds Is Laughable, Given Their Long Record of Fiscal Recklessness.** Republicans have zero credibility on the budget. It was a Republican president and a Republican Congress who created a \$400 billion Medicare prescription drug benefit in 2003, without even attempting to pay for it. That same year, they passed \$350 billion in tax cuts. Increasing spending while cutting taxes is not a recipe for long-term fiscal sustainability. This week, the Administration requested another increase to the debt limit due to the fiscal mismanagement of prior Republican Congresses and the Administration. Since 2001, the limit has been increased by \$3 trillion. Democrats have committed themselves to paying for all new spending and tax cuts, and this legislation today illustrates just how seriously we take that commitment.