



Key U.S. House Budget Vote Expected on February 1, 2006 Part II: General Impact of the Conference Agreement

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This is the second of three fact sheets summarizing various issues related to the upcoming vote on the 2006 Budget Reconciliation Conference Agreement (“Conference Agreement”).

- **The Conference Agreement *Increases* the Federal Deficit.** The title of the Conference Agreement, “Deficit Reduction Omnibus Reconciliation Act of 2005,” is misleading.
 - The spending reductions in the bill (nearly \$40 billion over 5 years) are *far less* than proposed tax cuts. (The final tax cut figure is not yet known, but is expected to be at least \$56 billion, and perhaps in excess of \$120 billion, over 5 years.)
 - The federal deficit will increase by a *minimum* of \$16 billion over five years.
- **The Conference Agreement *Increases* the Divides Between Rich and Poor Americans.** Nearly three-quarters of the “savings” in the conference agreement are achieved through cuts to essential supports for children, students, families, and individuals, many of whom are low-income. These spending cuts offset tax reductions that disproportionately benefit the wealthy. For example, 40% of the benefits of the tax cuts in the House Reconciliation Tax Bill go to persons with income over \$1 million/year.
- **The Conference Agreement *Decreases* America’s Investment in its Future.** It is well accepted that the key to America’s success in the global economy is a healthy, well-educated work force. This requires investments *now* in health care and education. Yet, the approximately \$40 billion in reductions over five years include, for example:
 - \$12.7 billion cut from student loans;
 - \$ 6.9 billion cut from Medicaid and SCHIP; and
 - \$ 1.5 billion cut from programs including Child Support Incentive Payments and foster care supports.
- **The Conference Agreement *Rejects* the More Sensible Cost-Saving Measures Adopted by the Senate.** It is clear that the Conference Agreement cuts are not part of any deficit reduction plan. Likewise, any claim that the *specific* cuts in the bill are nevertheless necessary to reduce overall government spending is belied by the Medicaid and Medicare savings that were passed in the Senate Reconciliation bill, but were not included in the Conference Agreement. *The Senate avoided changes that would harm low-income Medicaid beneficiaries, instead achieving substantial savings from pharmaceutical and managed care companies:*
 - The Senate bill reduced Medicaid program costs by increasing drug manufacturer rebates. Rather than Medicaid savings achieved through reducing beneficiary access to necessary health care as in the Conference Agreement, the Senate achieved Medicaid savings through reducing net prescription drug costs to the program.
 - The Senate also followed the recommendation of Congress’ official expert advisory body on Medicare Payments (MedPAC), by eliminating a \$10 billion fund to encourage Medicare participation by regional Preferred Provider Organizations (PPOs). The fund was found to be unnecessary because PPOs are participating in sufficient numbers.