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## Demolishing the debt mountain

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On Capitol Hill last week, I ran into former Senator Alan Simpson (R-WY), of the National Commission on Fiscal Responsibility and Reform. Lean, sharp, and crustyas ever, Simpson chatted with me for a few moments about his experience returning once more to the debate about deficits and entitlements.

"I remember being in this same building back in the 1970s," Simpson said, smiling as he shook his head, "and we were talking about the same dang things. And if nothing changes, so will you!"

Joined by former Clinton White House chief of staff Erskine Bowles, Simpson has spent the past few weeks advocating for a draft proposal on America's deficit problem. Responses from Capitol Hill ranging from dismissive to outraged. But if America wishes to avoid the fate Simpson predicts, Congress would be wise to seriously consider several aspects of this proposal.

True, the commission has advanced several ideas that are anathema to both sides. The left side of Congress contends the commission's suggestions are naïve and irrelevant, and the right maintains they are an attempt to run interference for a massive tax hike.

There are, however, some good ideas in the draft proposal. The idea of increasing cost-sharing to reconnect consumers with their health care dollars deserves support, and the co-chairs' explicit endorsement of tort reform is laudable. Several of their proposals involve reducing federal control of health care and increasing consumers' skin in the game. Some were even offered as Republican amendments during the debate over Obamacare.

For example, the commission calculates that enacting comprehensive medical malpractice reform—a Republican amendment that was repeatedly rejected—would save \$64 billion over the next decade. Expanding cost-sharing in Medicare and creating a cap on catastrophic costs (a better policy than Obama's top-down cuts and price controls) would save an estimated \$85 billion. Limiting Medigap cost-sharing coverage, placing dual-eligible individuals in Medicaid managed care, and increasing nominal co-pays in Medicaid would save an estimated \$76 billion.

The commission also recommends a cap on Medicaid's long-term-care allotment—a proposal included in the 2009 Patients' Choice Act, introduced by Senate Republicans Tom Coburn (OK) and Richard Burr (NC) and House Republicans Paul Ryan (WI) and Devin Nunes (CA). This would save taxpayers roughly \$89 billion over the next 10 years.

These proposals would reduce spending by \$314 billion over the next decade. In addition, the commission endorses a gradual increase in the retirement age to help Social Security's solvency, and further savings could be achieved by eliminating the Medicaid expansion and subsidies and insurance regulation changes in Obama's health care law.

Some things in the proposal are naïve and ill-considered. But even if this proposal is an attempt to gain political cover for tax hikes, the Republican House would block any such maneuver—and conservatives should recognize that their own policies exacerbated some of these problems.

Consider, for example, the huge number of Americans who pay little or no taxes, which allows a majority of non-taxpayers to vote themselves benefits from a minority of taxpayers. The primary cause of this big number of non-taxpayers is the \$500 child tax credit instituted by the 1997 Republican Congress. Until 1998, fewer than 20 percent of federal returns had no tax liability—but after 2002 that figure jumped to more than 25 percent; it's now above 35 percent after the credit was dramatically expanded under President George W. Bush.

Those concerned about excessive federal spending should not feel required to accept or reject the commission's proposal in its entirety. Instead, Congress should just take up the proposed spending cuts and push them even further. There's little question the Obama administration would gladly allow token belt-tightening down the road in exchange for tax increases today. Congress should reject any such notion.

With all that in mind, the commission's proposal presents a strategic opportunity and should be the start of a good conversation. As the Cato Institute's Daniel Mitchell notes, capping federal spending increases at 2 percent a year would bring a balanced budget by the end of the decade—something the commission's proposal does not achieve, but which fiscally responsible leaders should aim for.

Members on both sides of the congressional aisle should realize that demolishing the debt mountain will require bipartisan dedication—and rejection of the falsehoods peddled for too long by irresponsible politicians.

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