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New Year, New Congress, Same Issues

The 'fiscal cliff' agreement and budget issues to come

Happy New Year, Mobilizer readers! As you have probably heard, an agreement was reached to avert much of the economic turmoil posed by the 'fiscal cliff' but don't put away your countdown clocks just yet. **Many impending threats to homeless healthcare are still out there, including the sequester cuts set to go into effect March 1, the desire to cut low-income entitlements like Medicaid, and the possibility that some in Congress will use hitting the debt ceiling in late February to demand safety net cuts.** Educating new Members of Congress over these next few weeks on the impact of safety net cuts needs to be the HCH community's New Year's Resolution, and hopefully Congress will resolve to protect low-income people as another budget deadline approaches.

Cliffs on the horizon

The American Taxpayer Relief Act signed January 2 averted most of the spending and tax impact of the 'fiscal cliff' but set some troubling precedents. Some concerns for the HCH community going forward include:

- **The delay of the sequester:** The HCH community should welcome the delay of the sequester, preventing for now a \$169 million cut to health centers and a similar 8.2% cut for most other domestic programs. The delay is short though and these cuts are still set to go into effect on March 1.
- **Paying for the sequester delay:** This two month delay cost \$24 billion and was paid for by a change in retirement accounts generating \$12 billion over ten years and \$12 billion in defense and nondefense discretionary cuts over the next two years. The retirement account change is widely viewed as a budgetary gimmick rather than a true increase in revenue and further cuts to discretionary spending go against the principle of not cutting discretionary spending any further, expressed by the Council and others.
- **Health policy changes:** Numerous health policy changes were included both to avert deadlines and pay for fiscal policy changes. Medicare payments for primary care doctors, set to decrease 26%, were held harmless for one year, at a cost of \$30 billion. This was paid for in part by reductions in enhanced payments to hospitals serving the uninsured, which could impact access over the long term. The remaining funding included in the ACA for Consumer Oriented and Operated Plans (the closest thing to a public option included in the ACA) was also cut. Using safety net hospital payments and provisions of the ACA to pay for fiscal policies sets a bad precedent.
- **Minimal stimulus measures:** Economic growth is still tepid and unemployment, especially long-term unemployment, remains unacceptably high. Emergency unemployment benefits were extended for one year to address this and enhancements to low-income tax credits such as the Earned Income Tax Credit and the Child Tax Credit were extended for five years. These provisions will help low-income individuals, but the fiscal cliff deal did nothing to extend the payroll tax cut, a measure that also benefited low and moderate income workers. These workers can now expect a 2% increase in their taxes.
- **A new deadline with new dynamics:** The two month delay of the sequester, along with the impending debt ceiling and the expiration of the FY13 Continuing Resolution funding the government through March 27, sets up late February/early March as the next budget deadline and potential crisis. How those negotiations pan out is unclear, but the dynamics are certainly different than the fiscal cliff dynamics. The fiscal cliff required Congressional action to prevent tax increases, presumably giving leverage to those who wanted to increase taxes rather than cut spending. The next deadline requires Congressional action to prevent spending cuts and the economic impact of a U.S. default on its debt. This presumably gives

those who want spending cuts more leverage. The HCH community needs to be ready to protect the programs our projects and clients depend on.

TAKE ACTION

The new 113th Congress begins today and issues of deficit reduction, taxes, and spending will be their first order of business. **New Members will need to be educated on the importance of targeted homeless programs and other safety net programs if they are to be protected during the next few months debates.** If you have a new Member (check out this [list](#) of the 113th Congress and click on new members only to see if you do) please give them a call through the Capitol Switchboard at **1(877) 210-5351** and discuss the following :

- Introduce yourself and your project
- Discuss the programs your project and clients rely on, like health center funding, Medicaid, low-income housing programs and any others.
- Explain what might happen in your community if these programs are cut.
- Urge them to protect these programs. Specifically, urge them to prevent the sequester from taking place, to oppose further cuts to safety net programs, and to oppose cuts to Medicaid.

Please let [Dan Rabbitt](#) know how the calls go and stay engaged as things move forward. Budget debates can be complicated and dry, but they are critically important to our work.

The American Taxpayer Relief Act: Background Detail

A matrix with the major provisions of the American Taxpayer Relief Act, along with likely future action can be found [here](#). A brief list of the provisions is as follows:

- Permanent extension of virtually all of the 2001/2003 tax cuts.
- Expiration of certain tax cuts for the very wealthy, generating approximately \$620 billion in new revenue over 10 years. Income tax rates went up for individuals making \$400k a year or more, couples making \$450k a year or more, certain investment income, large inheritances, and certain deductions.
- Two-month delay of the sequester.
- An additional \$12 billion over ten years in increased revenue, \$6 billion over two years in defense cuts, and \$6 billion over two years in nondefense discretionary cuts.
- One year extension of long-term unemployment benefits.
- Five year extension of low-income tax credit enhancements.
- A permanent change to the Alternative Minimum Tax, a tax that Congress patches every year to prevent middle class families from facing higher tax burdens
- The expiration of the payroll tax cut.

A broad overview of the deficit reduction debate:

- Prior to the fiscal cliff, Congress and the President agreed to cut \$1.5 trillion in spending, all of which came from discretionary spending. These cuts happened through the FY11 appropriations process and the budget caps limiting spending through 2021 put in place by the Budget Control Act.
- The Budget Control Act was agreed to in August 2011, primarily to raise the debt ceiling and avoid a U.S. default. In addition to the spending caps described above and the debt ceiling, this Act established the Super Committee charged with developing a deficit reduction plan. The sequestration cuts were designed as a penalty if the Super Committee could not reach a deficit reduction agreement. They did not and so these cuts were set to go into effect on Jan 1, 2013. They are now delayed two months.
- To date, the FY11 appropriations bill, the Budget Control Act, and the American Taxpayer Relief Act have cut approximately \$1.5 trillion in spending and raised \$600 billion in revenue. It is estimated that \$4 trillion in deficit savings is needed to stabilize the debt.
- **Please contact [Dan Rabbitt](#) with any questions about this material. He is here as a resource to the HCH community and is happy to help.**

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