CHAPTER
4

BEING RESPONSIBLE

IDEA 2

Our leaders must act now to solve today's economic challenges before they become impossible to solve tomorrow.

Social Security's approaching funding crisis is a textbook example of how leaders kick the can down the road in a manner that makes a foreseeable problem even harder to solve for the next generation.

In early 2023, President Joe Biden and former president Donald Trump both said they would never cut Social Security benefits for anyone, and many pundits commended them for the political masterstroke of "taking Social Security off the table."

In reality, Social Security, the program that almost 67 million Americans depend on, is nearing fiscal insolvency. The government trustees who manage Social Security project that the program's trust fund will be exhausted within a decade because America won't have enough taxpayers paying benefits to a growing group of retirees. At that point, the program will automatically have to pay out 24 percent less in benefits. If that happens, it will double the rate of poverty among America's elderly.

Make no mistake: Americans need Social Security and consider it one of the most important and successful government programs ever created. We want to be able to rely on it now and for generations to come.

But the longer Washington waits to fix Social Security, the harder it will be to do so and the more likely it becomes that Americans will get hit with punishing tax increases, significant benefit cuts, or both.

In fixing Social Security, the next president and Congress should be grounded in two foundational principles that are clearly embraced by America's commonsense majority and are included in various bipartisan reform proposals: 1) No one in retirement—or close to it—should face any benefit changes; and 2) no middle-class or lower-income Americans should face a benefit cut.

America just needs a president and a Congress with the courage to say that Social Security's impending insolvency is a challenge that we can and must solve together.

IDEA 3

Washington must stop spending so much more than it takes in. From now on, the annual budget should be reasonable and responsible, which means our national debt needs to stop growing faster than our economy.

Here are three things we all need to know about America's debt and why it's such a serious problem.

- *America's total national debt is over $32 trillion and our debt as a share of our economy has not been this high since World War II. Our overall debt-to-GDP ratio is 120 percent and it is getting worse by the day. From America's founding in 1787 until 2008, we accumulated $10 trillion in debt. In the 15 years since, we have accumulated another $21 trillion.*

- *Over 70 percent of all federal spending is "mandatory" spending, which refers to programs like Social Security, Medicare and Medicaid, and interest payments on the debt. These are ongoing obligations the government is legally required to pay every year. The remaining 30 percent is "discretionary" spending—for every other priority the government spends money on, like defense, education, medical research, agriculture, and the environment—that Congress has to appropriate each year. When you see Congress fighting over the budget and members threatening government default or a government shutdown, they are usually fighting over the 30 percent of the total budget allocated to discretionary spending while ignoring the 70 percent devoted to mandatory spending.*

- *Washington is now paying $400 billion in interest annually, which is more than it spends on food and nutrition, housing, higher education, science, space, and technology combined. If current trends hold, 40 percent of all federal revenues—in other words, your tax dollars—will go toward interest payments within the next 30 years.*

Federal spending has grown exponentially since the onset of the COVID-19 pandemic, spiking almost 50 percent in 2020 compared to the year prior and remaining above six trillion dollars annually ever since. Many economists believe this spending is at least partly responsible for the inflation that is hurting so many American families because it has significantly increased the demand for goods and services.

Washington doesn't need to immediately balance the budget every year, because the required spending cuts or tax increases would be more than our economy could handle and more than most Americans would accept. But Washington does need to get a handle on our finances so our debt doesn't continue to get bigger as a share of our economy, which could put us in a fiscal hole from which we could never dig ourselves out.

America's debt is so big, and the burden of it is so serious, that there may only be two ways to meaningfully address the problem.

A STATUTORY DEFICIT REDUCTION COMMISSION

In 2010, the White House created the bipartisan Simpson-Bowles Commission on Fiscal Responsibility and Reform, which produced a report laying out a long-term vision for stabilizing America's finances through a mix of modest spending cuts and revenue increases.

The report was sensible and responsible, and dead on arrival. The White House and members of Congress from both parties could not distance themselves from Simpson-Bowles fast enough.

Politicians are smart enough to know that most policy ideas—especially most deficit reduction ideas—never become law. And they did not want to go on the record to support the kinds of revenue increases or spending cuts that would give their opponents easy fodder for attack ads.

The problem with Simpson-Bowles was in its design, namely that Congress was not required to vote on it. That's why the next president should call on Congress to appoint an independent and bipartisan deficit reduction commission—which could include current members of Congress, as well as respected outside experts—that would be tasked with forming a deficit reduction plan that Congress would have to vote on *in its entirety*, meaning members of Congress could not offer amendments to change it.

Without these guardrails, members of Congress would inevitably kill any deficit reduction plan with "poison pill" amendments that feature politically toxic provisions that would make it impossible for a majority of members to support the plan.

America simply will not solve our debt problem unless Washington is forced to do so with a process that requires Democrats and Republicans to develop a plan that puts everything on the table—from what and how we spend to what and how we tax.

GET AMERICA'S ECONOMY FIRING ON ALL CYLINDERS

From 1947 to 2003, America's economy grew at an average of 3.5 percent each year. For the last 20 years, it has grown at only 1.9 percent per year. If the US economy started growing closer to the rate we saw in the 50 years after World War II, it would create trillions in additional tax revenue and make every budget problem we have easier to solve.

IDEA 4

Congress owes it to the American people to pass a budget every year, and to do it on time.

The Constitution makes it clear: "No money shall be drawn from the Treasury but in Consequence of Appropriations made by Law." In other words, Congress *has* to pass a budget and appropriate funds for the federal government; otherwise, the whole thing shuts down.

But the vast majority of the time, Congress fails to complete this basic task. Since 1974, Washington has passed a budget and spending bills on time only four times, and it has not done so at all this century. When Congress doesn't pass a budget on time, they instead pass slapdash temporary measures called continuing resolutions or end-of-year "omnibus" spending packages that leave almost no time for members of Congress to even read the bills or ask important questions like:

- Why are we spending this money?
- Is this or that program actually effective?
- Would we be better off spending less money here and more money over there?

By law, Congress is supposed to pass a joint budget resolution each year to guide spending, followed by 12 spending bills to actually authorize it. If the required spending bills are not passed, it can lead to a government shutdown, affecting millions of citizens and public services.

Over a decade ago, No Labels first proposed a simple fix to this problem called "No Budget, No Pay," which says that if Congress doesn't pass the required annual budget and spending bills on time, members should not be paid until they do.

It was a good idea then and it's a good idea now.

IDEA 5

Our leaders must take action to get health-care costs under control to give all Americans access to quality health care and reduce our debt.

Here are actual costs that appeared on actual bills of patients in US hospitals: $15 for a single Tylenol pill, $10 for the little paper cup that holds the pill, $53 for a pair of latex gloves, and $800 for a sterile water IV bag.

Add it all up and here is what you get: the US spends over 60 percent more on health care per person than any other developed country, even as we have worse outcomes for critical measures like life expectancy, chronic disease, and infant mortality. The average cost of employer-provided health insurance for a family of four is now over $22,000. That's one-third of an average family's household income.

This puts a huge strain on American families and government budgets alike because the federal government pays for over one-third of all health-care expenditures in the US.

There's no easy fix for this cost problem because there are so many causes, including:

NO ONE KNOWS WHAT ANYTHING COSTS

Three out of four US adults don't know of a resource to help them compare costs among providers.

DRUG PRICES ARE TOO HIGH

Americans pay 256 percent more for prescription drugs than residents of any developed country.

ADMINISTRATIVE OVERLOAD FOR DOCTORS

American doctors spend more time filling out paperwork than seeing patients.

"DEFENSIVE MEDICINE"

Several studies suggest that medical malpractice suits and defensive medicine—the practice of doctors ordering unnecessary tests and treatments to protect themselves from litigation—cost in excess of $100 billion each year.

There are several different ways Washington could help reduce the price of health care—which would save money for individual Americans as well as government insurance programs like Medicare.

Including:

Change how Medicare and Medicaid pay. Despite some recent reforms, Medicare still mostly pays for the volume of care delivered (the number of tests and services) rather than the value provided (improving patient health). Washington should experiment more with different fee schedules to make Medicare more efficient. One example could be adding bonuses for physicians who can meet a certain target budget for an episode of care. Medicaid needs the same kinds of forward-looking reforms. Because states control how Medicaid is run and the federal government pays most of the bills, no one has had both the desire and the ability to keep costs in check. States could do it, but they don't really care; the federal government might want to do it, but it can't.

Allow Medicare to negotiate the prices of more medicines. (The 2022 Inflation Reduction Act allowed negotiation for a small group of medicines beginning in 2026.) The US pharmaceutical industry spends a lot on research and development, and there's no guarantee they will discover new medicines: only 12 percent of drugs entering clinical trials make it to market. But seven of the top 10 pharmaceutical companies also spend more on sales and marketing than they do on R&D, which suggests these companies could afford to charge lower prices without harming innovation.

Reduce the rebates paid to pharmacy benefit managers (PBMs), who often serve as the middlemen between drug companies and insurance companies. PBMs serve a purpose, but these rebates—which encourage manufacturers to raise drug prices—have risen sharply over the past few years. One study shows that manufacturer rebates to PBMs increased from $39.7 billion in 2012 to $89.5 in 2016, the last year for which reliable data was available.

Make it harder for drug companies to game the patent system for biologic drugs, which are produced from living organisms as opposed to chemical compounds. These drugs now account for nearly 40 percent of all prescription drug spending in the US even though they are only used by 2 percent of the population.

The companies behind these drugs—which are often used to treat serious autoimmune and other disorders—can get up to 20 years of patent protection before facing competition from "biosimilars," the generic versions of biologics. However, some biologic manufacturers appear to be gaming the patent system by filing for dozens or even hundreds of new patents right before their medicine is about to lose its patent exclusivity, covering minor changes (like changing the dosage) that don't represent any real breakthroughs but do have the effect of discouraging biosimilars from coming to market.

Stop the baseless lawsuits. According to the American Medical Association, over two-thirds of medical malpractice suits are easily dismissed, and doctors win the vast majority of the cases that do proceed to trial—indicating that these suits lack merit. Washington could pursue real tort reform that makes it harder to file frivolous medical lawsuits and cap jury awards.

Ensure real price transparency. In early 2018, the US Department of Health and Human Services directed all hospitals to post prices for all their services. Hospitals are now doing it, but the information is often useless. A January 2019 *New York Times* story showed procedures from various hospital price lists: $42,569 for a cardiology procedure described as "HC PTC CLOS PAT DUCT ART" from Vanderbilt University Medical Center and $9,818 for "Embolza Protect 5.5" from Baptist Health in Miami. In other words, complete gibberish to anyone who isn't a medical professional. Health care is complicated, and hospital prices and services will never be as simple as a McDonald's menu. But real price transparency that would allow informed consumers to shop for the best and most affordable care means lists of prices and services that everyone can understand.

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COMMON SENSE