



The Daily Dish

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40 percent of Medicare providers are looking at payment cuts from the federal government for not reporting patient information properly. The ACA placed penalties on the providers that fail to meet certain standards. Meanwhile, a recent study showed that 83 percent of respondents believe the record keeping programs hinder their ability to care for patients. According to the [Wall Street Journal](#), those who failed to comply will face a 1.5 percent pay dock this year.

Meeting this week, the Federal Reserve will [debate whether the economy is really doing better](#). Though topline jobs report numbers may have looked passable, earnings have still lagged behind. March's weak jobs report will also have to factor into the decision on when to raise interest rates. Federal Reserve Bank of New York President William Dudley said that he expects "...that the first-quarter weakness will prove to be largely temporary."

Eakinomics: A Budget Resolution

Under the process set up by the Budget Act of 1974, both the House and Senate must pass budget resolutions. However, to fully comply with the law they must agree on a single, compromise version (known as the conference agreement) and pass it through both houses of Congress. Doing so also permits the Congress to take advantage of the so-called [reconciliation](#) instructions that permit budget legislation to pass through the Senate with a simple majority of 51 votes.

[Reports](#) are that the House and Senate have reached such an agreement. The key features of the agreement being leaked are:

- An increase in defense funding. This funding would not be offset by cutting spending elsewhere and would be funneled through the Overseas Contingency Operations (OCO) fund. The latter means that it would not be subject to the defense spending cap and sequester mechanisms.
- Reconciliation instructions. It is not clear how many — the House had instructions for 13 committees, while the Senate had it for only two — or their intended use. Including these instructions gives the congress options going forward.
- Eliminating two budget provisions designed to control spending — a requirement for 60 votes to pass the higher defense spending and eliminating the use of CHIMPS (Change In Mandatory ProgramS).

The rumored deal is being portrayed as the victory of defense hawks over budget hawks but that is not quite right. While OCO funding is not subject to the budget caps, it is subject to political limits. OCO funding has to be certified by the president. He has indicated a willingness to raise defense spending only if non-defense spending rises comparably, so one can easily imagine certification being withheld unless his non-defense demands are addressed.

The catch is that there is no comparable loophole for non-defense spending; it is simply subject to the caps and sequester. That means it can be raised only by changing the law to raise or eliminate the cap. It is hard to

imagine that the non-defense cap will be raised in isolation. If it is being raised, so will the defense cap (thereby eliminating the reliance on OCO). More importantly, just as when Paul Ryan and Patty Murray reached a deal a few years back, conservatives will demand offsetting cuts in mandatory spending as the price of raising the caps.

If it plays out this way, the politics will lead to exactly the right policy outcome: spending discipline overall, with mandatory cuts (perhaps enacted through reconciliation) being used to permit more discretionary spending.

From the Forum

[The Need for Tax Reform: Evaluating Recent Proposals](#) by Gordon Gray, AAF Director of Fiscal Policy

[Week in Regulation](#) by Sam Batkins, AAF Director of Regulatory Policy

[Regulatory Impact on Small Business Establishments](#) by Ben Gitis, AAF Policy Analyst; and Sam Batkins, AAF Director of Regulatory Policy