



The Daily Dish

# Economic Apocalypse — Friday Update Edition

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Yesterday the House Ways and Means Committee approved a bipartisan bill limiting when the Internal Revenue Service (IRS) can seize taxpayer money. The bill seeks to only allow the IRS to seize funds when transactions under \$10,000 suspected of structuring come from illegal sources or the transactions were structured with the intention of hiding other illegal activities. The bill has already been introduced in the Senate where it also enjoys bipartisan support.

This week the Environmental Protection Agency (EPA) made moves to reverse the Obama Administration's proposal to block Alaska's Pebble Mine project. The public will have 90 days to comment on the EPA's decision to roll back the Obama Administration's 2014 decision. There has yet to be a formal application submitted to either the EPA or the Army Corps of Engineers for the project.

## *Eakinomics: Economic Apocalypse — Friday Update Edition*

The basic facts of subpar growth in Gross Domestic Product (GDP), real wages, and standards of living and an unsustainable fiscal outlook are familiar to the regular reader of Eakinomics (although it may be a stretch to call an Eakinomics aficionado "regular"). Growth is poor and worsening fiscal conditions threaten even this meager progress. Yesterday was a big day for those on the when-will-we-avert-the-doomsday watch. It featured five important developments:

1. The Congressional Budget Office (CBO) released its [analysis](#) of the president's budget proposals. It's a spiffy 20-page read, but AAF's [Gordon Gray](#) can save you the trouble. The reason the president sees the budget coming to balance and running up red ink of "only" \$3 trillion over the next decade, while CBO says his proposals will never lead to balance and have twice the red ink is simple: the Administration assumes 3 percent growth and CBO assumes about a percentage point less. In addition for the need for better growth to help the middle class, it would take some of the pressure off the budget outlook.

2. The Social Security Trustees released their annual [reports](#). (See AAF's take [here](#).) In 2016, Social Security ran a cash deficit of \$53.2 billion, contributing to the overall budget deficit. This is the seventh year in a row that Social Security has been in cash deficit, with the program running a cumulative deficit of \$416 billion since 2010. Over the next 75 years its promised benefits exceed projected payroll taxes by \$12.5 trillion – \$1.2 trillion higher than was estimated last year. In short, the 2017 Social Security program is the same problem as the 2016 Social Security program and its contribution to the overall unsustainable budget outlook remains. Social Security reform is a matter of when, not if.

3. The Medicare Trustees released their annual [report](#). (See AAF's take [here](#).) It showed a cash deficit of \$349 billion, or 61 percent of the federal deficit in 2016. There has now been a \$4.3 trillion cumulative cash shortfall since 1965. As a result, Medicare has contributed a full one-third of the national debt. In short, the 2017 Medicare program is the same problem as the 2016 Medicare program and its contribution to the overall

unsustainable budget outlook remains. Medicare reform is a matter of when, not if.

4. The Senate leadership released the latest version of its Obamacare “repeal and replace” bill known as the Better Care Reconciliation Act. The good news is that it continues to feature Medicaid reforms because — you guessed it — the 2017 Medicaid program is the same problem as the 2016 Medicaid program and its contribution to the overall unsustainable budget outlook remains. Medicaid reform is a matter of when, not if. It came, however, with additional spending that lowers its deficit reduction. More on the BCRA next week when CBO releases its analysis.

5. The Department of Health and Human Services (HHS) announced a [proposed reform](#) to the so-called [340\(b\) program](#) which is supposed to subsidize some outpatient drug costs of low income Americans. Unfortunately, at present a hospital can acquire a drug with the 340(b) discount and get reimbursed full freight by the Medicare program. In the process, a Medicare beneficiary will pay their co-pay based on the full price and not the discounted 340(b) prices. That might be great for hospitals, but not for patients or taxpayers. HHS proposes to end this so the program delivers savings to beneficiaries and the government instead of cash to hospitals. It may not be the biggest deal, but in the doomsday-watch world it should be at least one cheer or a golf clap for HHS.

With Thursdays like that, every Friday is a victory.