



The Daily Dish

## July 29th Edition

DOUGLAS HOLTZ-EAKIN | JULY 29, 2014

It is a big week starting today for the EPA with multiple public hearings and days on the hill to discuss the ramifications of the proposed greenhouse gas regulation on existing power plants. FERC has been [called to testify](#) before the House Energy and Commerce Committee today. The standards have come under scrutiny for using a [questionable baseline](#) and placing high burdens on some states. [AAF has an inside look](#) at the greenhouse gas regulation here.

**Shot:** The EPA Administrator, Gina McCarthy, told the media “listening to people right now is the most important thing for the EPA and country to understand what the American Public wants us to do as an agency.”

**Chaser:** McCarthy will not be attending any of the EPA’s public hearings on the new greenhouse gas rule for existing power plants. When asked if she would be meeting with stakeholders or doing outreach she said, “We will see how the week goes.”

For a good quick read, take a look at Irwin Stelzer’s parody on a [conversation between the President and Susan Rice](#).

### *Eakinomics: A Guide to Reading the Trustees’ Reports*

The Trustees of the Social Security and Medicare programs released their annual reports yesterday. Read the coverage and claims contained therein carefully, with an eye for two key moments of spin: (1) the fiscal news is good and the programs are fine, and (2) Obamacare has improved the outlook for Medicare. Instead, remember this: (3) both programs are fiscal toast and need immediate reforms to continue to provide future seniors with an appropriate safety net.

Let us begin with the latter. AAF has the [details](#) in its analysis, but the big picture is simple. Social Security (over \$10 trillion) and Medicare (over \$9 trillion) will both run sustained deficits over the next 75 years of each program. Social Security (\$70 billion) and Medicare (\$290 billion) are running cash deficits *right now*, so the problems are not abstract or simply far into the future. Because their respective trust funds — elaborate federal accounting mechanisms, not money — will turn negative in the next 20 years, seniors face abrupt, across-the-board meat cleaver cuts in their benefits unless real reforms are enacted.

Now, turn to the good news. Medicare is projected to last another 4 years compared to last year. Yippee!!! The terminally-ill patient may live another week! Hooray! It is nothing really major to celebrate, and, given the uncertainties about such projections, could easily be undone in next year's report. Moreover, the supposed help from Obamacare exists only on paper. Yes, the new surtaxes on high-income individuals are dedicated to the Medicare trust fund. In reality, however, the federal government is still running multibillion dollar deficits and those monies are long since spent. Yes, there are planned cuts to hospitals, [Medicare Advantage](#), [Medicare home health](#), and other providers. Unfortunately, the leading edge of those cuts has already led to the elimination of 24 percent of MA plans and has dramatically hurt home health agencies. From a policy perspective, both outcomes are undesirable and unsustainable. So, a future Congress will doubtless be forced to

waive the cuts just as it annually has waived the cuts to Medicare physicians. No *real* cuts are on the books.

Social Security reform is imperative. Medicare reform is imperative. The president has shown no appetite for leadership on preserving these core planks of the social safety net, but their survival remains at risk.

### ***From the Forum***

[The ACA's Risk Spreading Mechanisms: A Primer on Reinsurance, Risk Corridors and Risk Adjustment](#) by Angela Boothe, Healthcare Policy Analyst, and Emily Egan

[The Future of America's Entitlements: What You Need to Know About the Medicare Trustees Report](#) by Douglas Holtz-Eakin, AAF President; Gordon Gray, AAF Director of Fiscal Policy; and Conor Ryan, AAF Health Care Data Analyst

[Intellectual Property Underpinnings of Pharmaceutical Innovation: A Primer](#) by Will Rinehart, AAF Director of Technology and Innovation Policy