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House and Senate Pass Debt-Ceiling Agreement; President to Sign Bill into Law Today

Today, the Senate voted on a measure to increase the government's borrowing limit and require more than one dollar of spending cuts for each dollar in debt limit increases. The plan was passed by a vote of 74 to 26 and is now headed to the President's desk for his signature today. Over the weekend, President Obama and Congressional leaders reached an agreement to raise the debt ceiling by \$900 billion in 2012 and reduce the deficit by at least \$2.1 trillion over the next 10 years. On Monday, the House of Representative passed the bipartisan plan, the Budget Control Act of 2011, by a vote of 269 to 161.

The Budget Control Act of 2011 will not make immediate cuts to Medicare spending or mandatory spending programs, however, cuts to these programs remain possible in the near term. The bill establishes the following process for raising the debt ceiling and reducing the deficit:

Stage One: \$917 billion in discretionary spending cuts will be accompanied by a \$900 billion increase in the debt ceiling. The spending cuts are spread over a ten-year period and the debt ceiling increase should keep the government from defaulting for the rest of the year.

Stage Two: The bill establishes a complicated process for raising the debt ceiling by an additional \$1.2-1.5 trillion to keep the government from defaulting past the 2012 elections.

First, the bill creates a 12-person bipartisan, bicameral committee tasked with finding at least \$1.2 trillion in future deficit reduction by November 23 – savings could include tax revenues, discretionary spending, and entitlements (Medicare, Medicaid and Social Security). Should Congress fail to adopt the committee's recommendations by December 23rd, 2011, automatic, across-the-board spending cuts would be triggered that impact most programs except for Medicaid and Social Security. In regards to Medicare, the savings under the trigger are limited to reductions in provider payments only – there would be no increased cost to beneficiaries -- but those payments would not be reduced by more than 2 percent. Once the trigger cuts go into effect, the President would be authorized to request an additional debt ceiling increase.

At the same time, the bill also requires Congress to vote on a balanced budget amendment to the Constitution no later than December 31, 2011. If Congress approves the amendment, and it is sent to the States for approval, the President would have the authority to request a debt ceiling increase of \$1.5 billion regardless of the Joint Committee's actions. However, this amendment has received significant opposition in the Senate.

The bill is expected to be signed into law immediately, whereupon lawmakers will begin the process of assembling the joint committee and evaluating spending cuts.

We will continue to keep you apprised of the Joint Committee's actions as they draft recommendations. A chart, courtesy of the Senate Republican Policy staff, outlines the process established in the Budget Control Act of 2011.

This Special Alert is an update from The Roundtable on Critical Care Policy. For further information on the Roundtable, please visit our website at www.CriticalCareRoundtable.org.