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CBPP STATEMENT

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STATEMENT BY ROBERT GREENSTEIN, EXECUTIVE DIRECTOR, ON THE CONGRESSIONAL BUDGET OFFICE'S NEW LONG-TERM BUDGET FORECAST

The new Congressional Budget Office report shows that rising health care costs are the largest driver of the nation's long-term budget problems. But CBO's projections also indicate that the costs of making expiring tax cuts — such as those enacted in 2001 and 2003 — permanent without paying for them would be the second largest factor, if policymakers follow that course.

In fact, assuming relief from the Alternative Minimum Tax is extended, making the tax cuts permanent without paying for them would account for *one-third* of the "fiscal gap" (the imbalance between spending and revenues) over the next 50 years.

Moreover, enforcing Pay-As-You-Go rules — and paying for any tax cuts Congress elects to extend (and any entitlement increases) — is within policymakers' power. In contrast, as CBO explains, we probably won't be able to secure the needed reductions in projected Medicare and Medicaid costs without causing serious harm to low-income and elderly patients *unless* we can slow cost growth throughout the entire U.S. health care system. And while this is the nation's most important fiscal challenge, there is currently no consensus among health care experts about how to accomplish it; achieving such a consensus and fully implementing the appropriate policies could take years or decades.

The bottom line is this: because we currently lack an appropriate solution to rising health care costs, that makes it all the more important to avoid actions that would make the long-term budget outlook worse, such as extending the tax cuts without paying for them.

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