BIPARTISAN POLICY CENTER

SIDE-BY-SIDE COMPARISON

SIMPSON-BOWLES COMMISSION, BPC DOMENICI-RIVLIN TASK FORCE, PRESIDENT OBAMA, AND CHAIRMAN RYAN

POLICY	**SIMPSON-BOWLES PLAN**	**BPC TASK FORCE (DOMENICI-RIVLIN) PLAN**	**PRESIDENT OBAMA'S OUTLINE**	**CHAIRMAN RYAN'S OUTLINE**
Debt-to-GDP in 2022	**62%**	**59%**	**Unspecified**. Claims $4 trillion in savings over 12 years.	**70%**
Domestic Discretionary	• **12-yr savings ≈ $860 billion** • Freezes spending for 2012, then cuts back to 2008 levels in 2013, followed by seven years held to half the rate of inflation • Assumes both domestic and defense discretionary spending never grow faster than inflation and includes no enforcement mechanism to achieve this after 2020 (historically, discretionary spending has grown approximately with the economy). Therefore, discretionary spending will continuously decrease as a percentage of the economy	• **12-yr savings ≈ $440 billion** • Freezes domestic discretionary spending for four years, then caps growth at GDP	• **12-yr savings ≈ $770 billion** (non-security) • Details of the path are unspecified	• **12-yr savings ≈ $2 tillion** (non-security) • Cuts domestic discretionary spending back to "below 2008 levels," then freezes for five years, then caps at inflation • Assumes both domestic and defense discretionary spending never grow faster than inflation and includes no enforcement mechanism to achieve this after 2020 (historically, discretionary spending has grown approximately with the economy). Therefore, discretionary spending will continuously decrease as a percentage of the economy
Defense	• **12-yr savings ≈ $1.1 trillion** • Freezes spending for 2012, then cuts back to 2008 levels in 2013, followed by seven years held to half the rate of inflation • Reduces weapon systems, reforms compensation, cuts force structure cuts, and applies Secretary Gates' savings	• **12-yr savings ≈ $580 billion** • Freezes defense discretionary spending for five years, then caps spending at growth of GDP • Reduces weapon systems, reforms compensation, cuts force structure, and applies Secretary Gates' savings	• **12-yr savings ≈ $400 billion** • Charges Secretary Gates to eliminate waste, improve efficiency, and conduct a "fundamental review of America's missions, capabilities, and our role in a changing world"	• **$78 billion over 10 years** • Implements Secretary Gates' savings in defense spending

POLICY	SIMPSON-BOWLES PLAN	BPC TASK FORCE (DOMENICI-RIVLIN) PLAN	PRESIDENT OBAMA'S OUTLINE	CHAIRMAN RYAN'S OUTLINE
Health	• Institutes tort reform • Reforms Medicare cost-sharing rules • Uses Medicare's purchasing power to increase rebates from pharmaceutical companies • Caps and phases out tax exclusion of employer-provided health insurance • Strengthens IPAB • Converts FEHB program from defined benefit to defined contribution with support growing at GDP+1% • Medicaid: Expands managed care for dual eligibles • Starting in 2020, establishes a global cap on all federal healthcare spending (including Medicare, Medicaid, CHIP, FEHB, and TRICARE) to limit growth to GDP+1% (overall – not per beneficiary – a more stringent cap than GDP+1% per capita) without specific policies • Accommodates a permanent fix to the SGR mechanism that currently requires unrealistic automatic cuts in physician payments ("doc fix")	• Institutes tort reform • Reforms Medicare cost-sharing rules • Uses Medicare's purchasing power to increase rebates from pharmaceutical companies • Caps and phases out tax exclusion of employer-provided health insurance • Starting in 2018, transforms Medicare to a premium-support model, but maintains traditional Medicare as default option, and annually grows support level at GDP+1% • Medicaid: Expands managed care for dual eligibles • Medicaid: Limits program growth starting in 2018: One option would end federal matching payments in Medicaid by decoupling the system, while maintaining strong maintence of effort requirements • Accommodates a permanent fix to the SGR mechanism that currently requires unrealistic automatic cuts in physician payments ("doc fix")	• Speeds up availability of generic drugs and prohibits brand-name companies from entering into "pay-for-delay" deals with generic companies • Uses Medicare's purchasing power to increase rebates from pharmaceutical companies • Stregthens IPAB and sets a new target for annual Medicare spending growth per beneficiary of GDP+0.5% • Gives IPAB additional enforcement mechanisms such as an automatic sequester • Medicaid: Replaces the complicated current Federal matching formulas with a single matching rate for all program spending that automatically increases if a recession forces enrollment and State costs to rise • Medicaid: Closes loopholes that allow states to increase their effective matching rate • Establishes upper limits on Mediaid payments for durable medical equipment • Does not account for a "doc fix" in the budget	• Institutes tort reform • Raises the Medicare eligibility age from 65 to 67 by 2033 • Repeals most provisions in the Affordable Care Act (except for the Medicare cost controls), including: health insurance exchanges and subsidies, expansion of Medicaid coverage, IPAB, and the individual mandate • Starting in 2022, transforms Medicare to a premium-support model, eventually eliminating traditional Medicare. Annually grows support at rate of inflation – significantly slower than projected growth of healthcare costs • Medicaid: Block grants payments to states that would grow at rate of inflation plus population growth – significantly slower than projected growth in healthcare costs • Medicaid: Removes coverage of dual eligibles and acute care from the program and instead creates medical savings accounts for those with income below 150% of poverty • Does not account for a "doc fix" in the budget

POLICY	SIMPSON-BOWLES PLAN	BPC TASK FORCE (DOMENICI-RIVLIN) PLAN	PRESIDENT OBAMA'S OUTLINE	CHAIRMAN RYAN'S OUTLINE
Social Security	• Raises *retirement ages* slowly over time • Switches to Chained CPI • Includes state and local workers • Raises the minimum benefit and creates old-age bump • Raises the cap on payroll taxes to the 90% level • Makes a significant benefit adjustment, protecting the bottom 50% of beneficiaries	• Adjusts *benefit formula* to account for increases in longevity (but does not raise the retirement ages) • Switches to Chained CPI • Includes state and local workers • Raises the minimum benefit and creates old-age bump • Raises the cap on payroll taxes to the 90% level • Makes a more modest benefit adjustment, protecting the bottom 75% of beneficiaries • Benefits from health policy that caps and phases out the employer-provided health-benefit exclusion (producing more payroll tax revenue), which allows smaller reductions in benefit growth	• Acknowledges the long-term imbalance, and that it is "better addressed sooner than later" • Supports "bipartisan efforts to strengthen Social Security"	• Calls for a bipartisan process to make Social Security solvent

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Other Mandatory Spending	• Reforms farm programs • Reforms military retirement • Reforms civilian retirement • Imposes COLA change across governmen	• Reforms farm programs • Reforms military retirement • Reforms civilian retirement • Imposes COLA change across government	• Targets **$360 billion** in savings over *12 years* from other mandatory programs • Includes unspecified reforms to farm programs, civilian retirement, and unemployment insurance	• Targets **$715 billion** in savings over 10 years from other mandatory programs, and then continues to shrink this category of spending relative to the economy, but does not specify policies to do so • Decreases funding for food stamps and Pell grants, reforms civilian retirement, winds down (and eventually privatizes) Fannie Mae and Freddie Mac, and includes unspecified reforms to farm programs and unemployment insurance
Individual Tax Reform	• Cuts individual income tax rates; creates three brackets of **12%, 22%, and 28%** • Eliminates almost all deductions and credits • Converts charitable, mortgage, and retirement savings deductions into refundable credits • Raises federal gas tax by 15 cents • Proposes to limit revenues to 21% of GDP • New tax system will be more progressive than today's	• Cuts individual income tax rates; creates just two brackets of **15% and 27%** • Eliminates almost all deductions and credits • Converts charitable, mortgage, and retirement savings deductions into refundable credits • Introduces a Debt Reduction Sales Tax of 6.5% • Ensures that half of American households will no longer have to file tax returns • New tax system will be more progressive than today's	• Endorses framework used by both Simpson-Bowles and Domenici-Rivlin to eliminate most tax deductions and credits in order to both lower rates and reduce the deficit • Does not specify which expenditures would be curtailed • Allows the Bush tax cuts for high earners to expire	• Cuts top individual tax rate to **25%**, and aims to pay for this by eliminating deductions and credits • Does not specify which expenditures would be curtailed • Calls for revenue-neutral tax reform

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Corporate Tax Reform	• Cuts corporate rate to **28%** • Eliminates almost all deductions and credits • Moves to territorial system	• Cuts corporate rate to **27%** • Eliminates almost all deductions and credits	• Re-issues call for Congress to work on deficit-neutral corporate tax reform to lower rates and broaden the base	• Cuts the corporate rate to **25%**, and aims to pay for this by eliminating deductions and credits
Budget Process	• Calls for an accelerated legislative process for debt stabilization proposals should the budget not be in primary balance by 2015 or stabilized with regard to the debt-to-GDP ratio thereafter. The president would have to submit policies in his budget to hit targets and they would be fast-tracked for consideration by Congress • Changes discretionary spending pots from "defense" and "non-defense" to "security" and "non-security" • Puts in place automatic triggers for extended unemployment benefits	• Calls for a strong budget enforcement mechanism, **SAVEGO***, which would mandate specific amounts of annual deficit reduction from different parts of the budget (three categories: discretionary, healthcare, and other mandatory/revenues) • Changes discretionary spending pots from "defense" and "non-defense" to "security" and "non-security" • Moves to a biennial budgeting system	• Calls for a "Debt Failsafe" trigger beginning in 2014 to ensure that debt is on a declining path • Although details are unspecified, this would call for a cut in spending (exempting Social Security, Medicare, and low-income programs) and tax expenditures if certain targets were not met • Under this trigger, calls for debt to average no more than 2.8% of GDP in the second half of the decade	• Calls for discretionary spending caps • Also calls for caps on total spending as a percentage of GDP consistent with the levels in the budget resolution • Caps would be enforced by across-the-board sequester of spending • Requires a regular congressional review of mandatory spending programs

*SAVEGO is a mechanism developed by the Bipartisan Policy Center in collaboration with Sen. Pete Domenici, Dr. Alice Rivlin, Dr. Joe Minarik, Dr. Bill Hoagland, Steve Bell, and Charles Konigsberg. For more information, please see http://bipartisanpolicy.org/projects/economic-policy-project/savego.