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Time to Stop Adding to the Debt May 5, 2010

Policymakers soon will be considering a package of expiring legislative provisions and new tax cuts, including unemployment benefits, COBRA subsidies, flood insurance, and a patch to the scheduled Medicare reimbursement rate cuts from the so-called Sustainable Growth Rate (SGR). The total package could cost as much as \$200 billion over the next decade, with the five-year SGR patch costing more than \$80 billion alone.

The country already is scheduled to borrow nearly \$6 trillion over the next decade; if current policies continue, that number could exceed \$12 trillion. Something needs to be done to stem this tide of red ink.

"Considering that we face untenable levels of borrowing, an obvious first step would be to stop adding to the debt by paying for any and all policies," said Maya MacGuineas, president of the Committee for a Responsible Federal Budget. "Many of these priorities are critical—but no more critical than the need to pay for them."

Several of the policies in the package are considered emergency spending. But the unfortunate reality is that additional spending related to the economic downturn may be extended for quite some time. A reasonable approach to further recession-related assistance is to pay for extensions to unemployment insurance and other safety net programs over a longer period of time, thereby ensuring that the programs are able to provide adequate stimulus to the economy without affecting the long-term debt.

Like these emergency items, the SGR patch has been exempted from the statutory pay-as-you-go law since many lawmakers consider it to be current policy. However, this exemption ignores the massive costs of such a policy, and is rightfully not included in the House and Senate PAYGO rules. On top of the \$80 billion for the next five years, continuing to update physician payments through 2020 could cost another \$200 billion.

"We made our bed by not fixing the SGR when we passed health reform," said MacGuineas. "But the fact that it is now harder to find offsets makes it even more important that we do so. If we can't even pay for the things we all agree we should be doing, how are we ever going to find the courage to address our mounting debt?"