

The Debt Ceiling Deal: The Good, the Bad, and What's Ahead

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After months of negotiations, Congress and President Obama have agreed on a package of budget cuts along with an increase to the nation's debt ceiling.

As with any compromise, there's both good news and bad for seniors and the aging network.

On the positive side:

- **Debt ceiling:** President Obama now has the authority to increase the debt ceiling, which will prevent a default or any disruption in sending out Social Security and veterans' benefits checks.
- **Medicare and Medicaid:** Thanks to advocacy by NCOA and other senior groups, funding for Medicare beneficiaries and low-income programs like Medicaid is not cut in the initial package and is exempt from potential automatic cuts later.
- **Spending cuts:** The first \$10 billion in spending cuts over the first two years of the plan will be split 50/50 between domestic discretionary and defense programs.

On the negative side:

- **Medicare, Medicaid, and Social Security:** These programs could still be included in a second round of cuts totaling between \$1.2 and \$1.5 trillion to be recommended by a new 12 congressional member bipartisan "super committee" that must act by the end of the year or else trigger automatic cuts. The panel will be called the Joint Select Committee on Deficit Reduction.
- **Domestic spending cuts:** The full brunt of the initial round of cuts totaling nearly \$1 trillion over 10 years will be on discretionary programs, and the firewalls that evenly divide reductions between domestic and defense programs will only last two years. As a result, domestic discretionary programs such as the Older Americans Act (OAA) could be subject to enormous cuts in later years. In addition, there are no limits to how much OAA and other domestic programs could be cut in the \$1.2 trillion-plus package crafted by the super committee, particularly if revenues do not help offset the price tag, and if a package is not agreed to, the subsequent automatic cuts will largely affect discretionary funding.
- **Revenues:** Raising revenue is not included in the first phase of the plan, and there are no guarantees that it will be part of the second phase.

What's ahead?

The initial round of cuts will be enacted through the regular FY12 appropriations process, which could still take several months.

Congress will appoint a 12-member, bipartisan Joint Select Committee on Deficit Reduction, which will be tasked with creating another package by Nov. 23 to reduce the deficit by at least \$1.2 trillion over 10 years. If Congress does not approve the second package by Dec. 23, automatic across-the-board cuts will start by Jan. 1, 2013.

In the case of automatic cuts, Social Security, Medicare beneficiaries (but not provider payments), and low-income programs such as Medicaid and Supplemental Security Income (SSI) will be exempt from cuts.

Congress also must vote on a balanced budget amendment to the Constitution, but failure to reach the two-thirds vote threshold for passage will not trigger any additional legislative action.

The bottom line

It's clear that the collective advocacy of NCOA, our advocates, and other senior groups made a significant difference in protecting Medicaid and Medicare beneficiaries from short-term and automatic cuts.

However, we have considerable work ahead of us. In the coming weeks, our goals will be to:

1. Ensure that the super committee does not recommend a package of entitlement and discretionary cuts that would adversely affect vulnerable older adults.
2. Continue to educate Congress about the need to invest in domestic discretionary programs such as the OAA, senior housing, and food assistance.
3. Press the super committee to craft a fair, balanced deficit reduction package that includes revenues from those who can most easily afford them.

You can take the first step right now by helping us give voice to older adults' economic struggles and the need for OAA and other programs through our **PCOA advocacy for elder economic security**.

3 Steps You Can Take Today

- Call
- Write
- Email Congress

[List of AZ Legislative Contacts](#)