NASUAD
National Association of States United for Aging and Disabilities

# ANALYSIS OF THE NATIONAL COMMISSION ON FISCAL RESPONSIBILITY AND REFORM

On November 10, 2010, Republican Alan Simpson, a former Wyoming Senator, and Democrat Erskine Bowles, a former chief of staff to President Clinton, the co-chairs of the National Commission on Fiscal Responsibility and Reform, released their preliminary recommendations for achieving fiscal sustainability and balancing the budget by 2015 in their 'Chairmen's Mark,' a draft proposal that was intended as a framework on which to build the final report. The Commission was scheduled to release and vote on a final set of recommendations no later than December 1, 2010, with approval of the report by least 14 of the group's 18 members needed to send the recommendations to votes in the House and Senate. On December 1, 2010, the Commission released its final report and scheduled a full Commission vote for Friday, December 3. The final report, also compiled by Bowles and Simpson, reflected some of the changes suggested by various Commission and Congressional members, but did not change substantially from the Chairmen's Mark. Though the proposal did not reach the 14-vote threshold, significantly, a majority of the Commission's members, 11, did endorse the proposal, and leaders from both parties have indicated that they will incorporate some of the Commission's recommendations in budget, spending and tax decisions in the coming year.

In their final report, "The Moment of Truth," the Commission makes six basic recommendations to achieve long-term fiscal sustainability, including (1) enacting discretionary spending cuts, (2) reforming the tax system, (3) controlling health care cost growth, (4) mandatory savings, (5) ensuring Social Security solvency while reducing poverty among older Americans, and (6) reforming the budget process to achieve stability. For NASUAD members, key Commission report proposals include:

1. ***Cut-and-Invest Committee*** – A standing body to regularly evaluate the value of federal programs and agencies with the authority to eliminate poor performing efforts or redundancy;

2. ***Discretionary Spending Caps –*** Proposals aimed at limiting spending on discretionary programs which could include Older Americans Act programs;

3. ***Medicaid Proposals –*** An array of Medicaid proposals that would increase state Medicaid spending pressures;

4. ***CLASS Act*** – A proposal to eliminate or significantly overhaul the program;

5. ***Medicare Cost-Sharing –*** Proposals that primarily would increase beneficiary cost sharing and reduce the disposable income of older Americans and persons with disabilities;

6. ***Reductions in Medicare Reimbursement –*** Proposals to cut Medicare rates and potentially impact Medicare program provider participation;

7. ***Transportation Trust Fund –*** A proposal to increase the gas tax which could impact state agency transportation service budgets;

8. ***Program Integrity Reviews*** -- A proposal to provide federal flexibility aimed at expanding program integrity efforts.

In the analysis that follows, The National Association of States United for Aging and Disabilities (NASUAD) provides an overview of the Commission's formation, structure and recommendations, as well as a discussion of the potential impact of the proposal on the aging and disability networks, including its intersections with Older Americans Act-financed programs, Medicaid and Medicare.

## BACKGROUND

In early 2010, Senate Budget Chairman Kent Conrad (D-N.D.) and the panel's top Republican, ranking member Judd Gregg (R-N.H.) drafted a proposal to create a bipartisan debt commission for the purpose of making policy recommendations on long-term debt reduction (S. 2853). The legislative initiative, known as the Conrad-Gregg amendment, predicated the statutory authority of the commission's recommendations upon approval in both the House and Senate.

As the proposal's chances for passage in the Senate became increasingly unlikely, President Obama endorsed the Conrad-Gregg amendment, and tentatively agreed to create a similar panel through Executive Order, should the legislation fail. Amid concerns that the proposals of such a commission would circumvent the Congressional approval required under the framework proposed by Senators Conrad and Gregg, the President agreed to secure commitments from Congressional leaders ensuring votes on his Commission's recommendations in the House and Senate.

With these assurances from the Administration in place, and in exchange for his vote to approve the underlying legislation, Sen. Conrad reached an agreement with the Majority leadership. Under the agreement, the Conrad-Gregg amendment was attached to a measure increasing the federal debt ceiling by more than $1 trillion (H J Res 45). When brought to a vote on January 26, 2010, the amendment creating the debt commission failed to meet the necessary 60 votes needed for passage in the Senate. In response, President Obama announced in his State of the Union address two days later his intent to establish a deficit reduction Commission whose recommendations would be voted on by the House and Senate.

Accordingly, on February 18, President Obama signed Executive Order 13531, establishing the National Commission on Fiscal Responsibility and Reform. The bipartisan panel is purely advisory, and is charged with identifying policies with the potential to improve the nation's fiscal situation, in part by balancing the budget by 2015, and also by submitting recommendations to the President that achieve fiscal sustainability over the longer-term. The Commission was required to vote on the recommendations it developed by December 1, 2010, sending any of the proposals receiving 14 votes of approval to Congress.

The 18 member panel is comprised of ten Democrats and eight Republicans, six of whom are Presidential appointments, and the remaining 12 of whom are members of Congress. From the Senate, Budget Chairman Kent Conrad (D-ND); Finance Chairman Max Baucus (D-Mont.); and Majority Whip Richard Durbin (D-Ill.); represent the Democrats, and Budget Committee ranking member Judd Gregg (R –N.H.); Budget Committee member Michael Crapo (R-ID); and Senator Tom Coburn (R-Okla.); are the Republican panelists. The Majority leaders in the House selected the Chairman of the House Budget Committee, Rep. John Spratt (D- S.C.); Vice-Chairman of the Democratic Caucus, Rep. Xavier Becerra (D-Cali.); and Rep. Jan Schakowsky (D-Ill.), a member of the Energy and Commerce Committee; to represent their interests, while House Republican leaders tapped Rep. Dave Camp (R-Mich.), the senior Republican on the House Ways and Means Committee; Rep. Jeb Hensarling (R-Texas); and Rep. Paul Ryan (R-Wis.), the top Republican on the House Budget Committee; to serve on the Commission. The White House, in filling their appointments, selected former Clinton Administration Chief of Staff Erskine Bowles and former Senator Alan Simpson (R-Wyo., 1979-1997) to co-chair the panel; along with Dave Cote, Chief Executive of the technology firm Honeywell; Ann Fudge, a former Chief Executive of Young and Rubicam Brands; Alice Rivlin, a former OMB Director and Vice-Chairwoman of the Federal Reserve; and Andy Stern, President of the Service Employees International Union (SEIU).

## THE CO-CHAIRS' PROPOSAL

On November 10, 2010, Republican Alan Simpson, a former Wyoming senator, and Democrat Erskine Bowles, a former chief of staff to President Clinton, the co-chairs of the National Commission on Fiscal Responsibility and Reform, released their recommendations for achieving fiscal sustainability and balancing the budget by 2015; their report was the 'Chairmen's Mark' meaning that it was a draft that had not been approved by the other members of the Commission. After incorporating feedback from members of both parties into their draft, Bowles and Simpson released their final report on December 1. Two days later, on December 3, the full Commission voted on the final set of recommendations, failing to reach the 14-vote threshold needed to send the recommendations to the House and Senate, with Republicans Rep. Paul Ryan (R-Wis.), Rep. Dave Camp (R-Mich.), and Rep. Jeb Hensarling (R-Texas), and Democrats Rep. Xavier Becerra (D-Calif.), Rep. Jan Schakowsky (D-Ill.), and Sen. Max Baucus (D-Mont.), joined by Presidential appointee Andy Stern, in declining to support the plan.

In their final report, "The Moment of Truth," the Commission makes six basic recommendations to achieve long-term sustainability, including (1) enacting discretionary spending cuts, (2) reforming the tax system, (3) controlling health care cost growth, (4) mandatory savings, (5) ensuring Social Security solvency while reducing poverty among older Americans, and (6) reforming the budget process to achieve stability. In developing these recommendations, the Commission was guided by several principles, or core values, which they highlight in their proposal. Of particular interest to the aging and disability networks is the emphasis the panelists place on balancing the need for comprehensive reform to ensure long-term sustainability with the need to protect vulnerable Americans and a fragile economy.

In creating the Commission, President Obama was clear that any proposal to stabilize and reduce the national debt would require shared sacrifice, a perspective he reinforced by allocating to the Commission the authority to make policy recommendations that could affect any of the tax and spending laws in the federal budget, and again in convening the Commission's first meeting on April 27, 2010, by insisting that "everything has to be on the table." Thus, one guiding principle cited by the co-chairmen is the inclusivity of programs and initiatives targeted for potential cuts, including Social Security and Medicare benefits.

While the Commission capitalizes on the opportunity to recommend pervasive spending cuts without programmatic restriction, its members are also cognizant of the lasting impact of the Great Recession. Given that a weak economy depresses revenues and generates deficits, the Commission advises against disrupting the country's fragile economic recovery, another of its core values, advocating instead for the gradual implementation of the recommended cuts beginning in FY 2012, which starts on October 1, 2011. Also mindful of the need to keep America sound into the future, the chairmen cite long-term solvency as a guiding principle, revisiting this value in their proposals to reform Social Security, to contain growth in health care costs, and to reduce the debt burden as a share of Gross Domestic Product (GDP).

In both their draft and the final reports, the co-chairs not only highlight the importance of widespread reform and economic stability, but also their belief in the need to protect the truly disadvantaged. This guiding principle is referenced throughout many of the proposal's restructured or streamlined initiatives, in part by attempting to focus benefits on those who need them while ensuring an affordable and sustainable safety net.

## DISCRETIONARY BUDGET OPTIONS

With an emphasis on fiscal discipline, the chairmen propose to cap discretionary spending through 2020 by freezing 2012 discretionary spending at 2011 levels, returning spending to inflation-adjusted pre-crisis 2008 levels in 2013, and holding spending growth to about half the rate of inflation beyond 2013. To reach these targets, funding for non-security discretionary programs would have to be cut by 14 percent below 2010 levels in 2013, and 22 percent below 2010 levels in 2020. Additionally, the Commission would establish temporary firewalls between security and non-security spending through 2015, requiring equal percentage cuts from both sides.

To enforce these caps, the co-chairmen propose a 60-vote point of order against legislation approving excess spending in the Senate, as well as a separate, non-amendable vote on the point of order in the House, and, as a tertiary layer of enforcement, they recommend an across the board abatement by the amount that the appropriations exceed the caps. Thus, any appropriations bill that would cause the caps to be breached, as well as any legislation to suspend abatement, would be subject to a point of order which would block passage of the bill, unless waived. The waiver process would require votes in both Chambers, with a supermajority 60-vote approval needed in the Senate. Significantly, a budget resolution recommending discretionary spending in excess of the caps would lose its privileged status and therefore be subject to a point of order.

**Discretionary Budget Options: Domestic Programs.** Citing protecting key investments in infrastructure, education, and research & development as top priorities, the chairmen enumerate more than $200 billion in illustrative spending cuts, including more than $100 billion each in potential defense and domestic savings. Among the key recommendations on how to apply these caps to domestic programs are the following:

1. ***Cut-and-Invest Committee*** – The co-chairmen support the establishment of a bipartisan Cut-and-Invest Committee to de-authorize outdated, low-priority, and inefficient programs while simultaneously recommending high priority, long-term investments. Charged with finding discretionary program savings, such a committee would review each federal agency, and then submit a report to Congress analyzing the agency's programs. In the report, the committee would recommend which programs should be reauthorized, abolished, consolidated, reorganized or otherwise substantively changed. Congress, in turn, would be required to draft legislation carrying out the recommendations. In their final report, the Commission recommends that the bipartisan Cut-and-Invest Committee be tasked each year with identifying two percent of the discretionary budget that should be cut, and identifying how to redirect half of that savings, or one percent, into high-value investment. Over the next decade, the Committee would be expected to recommend $200 billion in discretionary cuts, and $100 billion for investments. Citing the soon to be released GAO report analyzing the duplication and overlap of federal programs, agencies, and initiatives, the co-chairmen recommend that the 112th Congress leverage the findings in this report to pursue legislation to consolidate and eliminate duplicative programs, while rescinding savings from the resulting reduced overhead. Similarly, the Commission also recommends that all federal agency heads, as a part of their annual budget submissions, should be required to recommend a portion of their budget for cancellation, and to identify ways to shift from inefficient, unproductive spending to productive, results-based investment.

   Notably, in the Chairmen's mark, Bowles and Simpson recognize the Texas Sunset Advisory Commission, created by the state legislature in 1977 to eliminate waste and inefficiency in government agencies, as a laudable example of such an initiative, citing the Commission's 27-year savings of over $780 million, compared with its expenditures of $28.6 million over the same time period. The Texas Sunset Commission is a 12-member legislative body that reviews the policies and programs of more than 150 government agencies every 12 years, questioning the need for each agency, looking for potential duplication of other public services or programs, and considering new and innovative changes to improve each agency's operations and activities. The process works by setting a date on which an agency will be abolished unless legislation is passed to continue its functions, with 20 to 30 agencies going through the Sunset Process each legislative session. In practice, the review of an agency takes from three to eight months, and the Texas Commission seeks public input, requires each agency to submit a Self-Evaluation Report (SER), and publishes a report containing recommended statutory and management changes on each agency. After publication of the report, the Sunset Commission conducts a public hearing on each agency under review, allowing for broad public input and informing the Commission's consideration of potential changes to recommend to the Legislature for adoption in the form of Sunset Legislation. In most cases, agencies under review are automatically abolished unless legislation is enacted to continue them, and the Commission is responsible for abolishing 58 agencies and consolidating an additional twelve agencies since its inception in 1978.

2. ***Federal Government Reductions*** -- Nearly half of the co-chairmen's $100 billion in possible domestic discretionary cuts would come from freezing federal salaries and compensation for three years, substantially cutting the number of staff at nearly every federal agency; cutting the federal workforce by ten percent; capping the number of federal political appointments at 2,000; and reducing the number of non-defense service and staff augmenting contractors. These restrictions would not only make it difficult for the federal government to employ qualified workers, but would also hinder the ability of the remaining workers to effectively manage the operations of the federal government. Under the proposal, all agencies would be subject to the hiring sanctions, but the President would have the discretion to exempt certain agencies if national security were impacted, provided that the overall workforce continued to decline, in order to reach the target of 200,000 by 2020. In their final report, the co-chairmen also recommend a 15 percent reduction in the Congressional and White House budgets, a three-year pay freeze for members of Congress, as well as the sale of excess federal real property, the elimination of all congressional earmarks, and reductions to federal travel, printing and vehicle budgets.

3. ***Veterans' co-pays*** -- Additionally, the co-chairmen recommend establishing Veterans Administration (VA) health co-pays. This option would increase out-of-pocket costs for Veterans who do not have service-connected disabilities, and whose income is below a VA-defined threshold. Currently, these patients pay no fees for inpatient or outpatient medical care. Under the Bowles-Simpson proposal, these enrollees would be subject to co-pays for medical care provided by the VA, saving the federal government $.7 billion in 2015.

4. ***Community Development Block Grant Program*** -- The Community Development Block Grant program allocates funds according to a formula which is based on a community's population. According to a 2003 study by the Department of Housing and Urban Development, funding under the program shifted from poorer to wealthier communities as a result of the current formula. In their illustrative cuts, Bowles and Simpson suggest changing the formula for calculating grants in order to target needier areas, consolidating overlapping community development programs, and limiting grants to wealthier communities. The funding for the

Community Development Block Grant program would then be reduced by 20 percent, which is a savings of over $500 million in 2015.

**Discretionary Budget Options: Defense Programs.** With the Department of Defense (DoD) accounting for almost 56 percent of all discretionary federal spending, lawmakers seeking to reduce the federal deficit are expected to face a trade-off in the next Congress between enacting cuts to popular entitlements and reducing defense spending. Cognizant of the potential for defense cuts to alleviate the need to reduce funding for other programs, such as Social Security and Medicare, prior to the release of the Chairmen's Mark, House Financial Services Chairman Barney Frank (D-Mass.), along with 56 other House members, released a letter calling for the Commission to include substantial reductions in future defense spending among its recommendations to Congress. Therefore, the Bowles-Simpson recommendation to slash defense spending is contextually significant given the current debate pitting discretionary costs, such as defense spending, and mandatory expenses, such as restructuring Medicare physician fee payments, against each other.

1. ***DoD Spending Reductions***. Among the defense cuts recommended by the chairmen is a three year freeze on federal salaries, bonuses and other compensation for DoD employees, a freeze of noncombat military pay at 2011 levels for three years, as well as doubling Secretary Gates' cuts to defense contracting, and reducing procurement by fifteen percent. The Commission also urges Congress to consider establishing a "BRAC Commission," which would be headed by the Secretary of Defense and charged with trimming redundant or ineffective weapons from DoD's inventory.
2. ***Annual Limits on War Spending.*** The final report calls for the President to propose annual limits for war spending, excepting spending for Overseas Contingency Operations (OCO) from the general security cap and instead placing it into a separate category subject to its own dollar limit. The Commission proposes establishing limits on OCO spending based on CBOS's projection for a reduction of troop levels to 60,000 in 2015, requiring any spending above the OCO limit to be offset or subject to a 60-vote point of order.
3. ***Reforming TRICARE.*** Given increasing concerns that the rapidly rising cost of military health care will crowd out funding for DoD's other spending needs, Bowles and Simpson propose a modernization of TRICARE coverage. Currently, military retirees with family TRICARE policies pay no premiums and have deductibles far below national averages. The Commission's proposal would raise premiums and co-pays slightly, but the majority of the savings would be generated by requiring employers to reimburse the government for the employer's share of health care costs for working age retirees covered by TRICARE in lieu of the employer's policy. This restructuring would eliminate a subsidy by the government for what is a normal business expense, providing the government with nearly $3 billion. Additionally, the chairmen suggest that all beneficiaries should pay a modest enrollment fee for all TRICARE plans, and that they should also designate whether TRICARE is their primary or secondary coverage, in order to

prevent TRICARE from being charged for expenses that could be covered by an employer plan in cases where TRICARE is the secondary payer. To reduce the higher than average use of health care by families of service members, the co-chairmen recommend adjusting co-pays for office visits, shifting their current low levels closer to the national average. Additionally, this option would require that PAYGO provisions apply to DoD's medical health care expenses, ensuring that any legislative proposal to increase TRICARE benefits would include offsets, such as higher premiums, co-pays, or deductibles.

4. ***Reform Federal Workforce Retirement Programs****.* Also in the final report, the co-chairmen propose establishing a federal workforce entitlement task force to re-evaluate civil service and military health and retirement programs. The task force would be responsible for recommending program design reforms to enhance consistency across the programs, and to bring the systems more in line with standard practices in the private sector, with a ten-year savings target of $70 billion. Significantly, as a potential reform, the Commission cites deferring the COLA for retirees in the current system until age 62, generating $17 billion in savings through 2020. Under the proposal, instead of receiving an annual increase, retirees would receive a one-time adjustment at age 62, bringing their benefit to the amount that would have been payable had the full COLAs been in effect in the interim.

## TAX REFORM

In attempts to generate lower tax rates, simplify the tax code, broaden the tax base, and reduce the deficit, Bowles and Simpson, in their Chairmen's Mark, highlighted three approaches to comprehensively reform the tax system. Included among the three options are (1) "The Zero Plan" which would consolidate the tax code into three individual rates and eliminate all tax expenditures; (2) "Wyden-Gregg Style Reform," which would also establish three individual rates, but would only repeal, limit or modify specific tax expenditures; and ( 3) the "Tax Reform Trigger" option, directing the Finance, Ways and Means Committees, in conjunction with the Treasury Department, to develop and enact comprehensive tax reform by the end of 2012.

Significantly, all of the tax plans proposed by the co-chairmen would end or curb deductions for charitable contributions, curtailing the capacity of the private sector to provide relief for vulnerable populations, while other recommendations contained in the debt report would simultaneously make reductions in the principal programs supporting these populations, such as Medicare, Medicaid and Social Security.

In their final report, released December 1, the chairmen recommend enacting zero-style tax reform by 2012 to lower tax rates, reduce the deficit and simplify the code. The "Zero Plan" approach proposes to eliminate all income tax expenditures, while dedicating the resulting revenue to lowering marginal tax rates and reducing deficits. Regarding corporate tax reform, the Commission recommends eliminating all tax expenditures for businesses and establishing a single corporate tax rate, as well as adopting a Territorial tax system, in order to make U.S. businesses more competitive in foreign markets.

Proponents of zero-style reform and the Territorial system contend that eliminating the more than $1 trillion in annual tax expenditures will cause individuals and businesses to make decisions based more on fundamental economics and less on tax policy.

The final report also recommends gradually increasing the gas tax by 15 cents between 2013 and 2015, and allocating this new revenue stream to help fully fund the Transportation Trust Fund. To further ensure accountability, the Commission would reclassify spending from the trust funds to make both contract authority and outlays mandatory, while requiring Congress to limit spending from the funds to the actual revenues collected by the trust fund in the prior year once the gas tax is fully phased in.

To encourage economic growth, the Commissioners urge Congress to consider a temporary payroll tax holiday in FY 2011, financed by transfers from general revenue. Estimated to cost up to $100 billion in lost revenue, CBO estimates that a temporary suspension of one side of the Social Security payroll tax would result in significant short-term growth and job creation.

## PROCESS REFORM

In both their draft and final reports, the co-chairmen advocate for replacing the Consumer Price Index (CPI), which has been criticized for overestimating inflation by failing to account for substitution bias, with the chain-weighted Consumer Price Index for Urban Consumers (C-CPI-U), believed to be more accurate, for all indexed programs throughout the government. Additionally, the co-chairmen recommend designing effective automatic triggers for extended unemployment benefits, replacing the existing triggers with a more precise mechanism that is more closely calibrated to the economy.

To enforce deficit reduction targets, the co-chairmen would establish a debt stabilization process to achieve savings and long-term goals; and to further ensure accountability, the Commission recommends reviewing all budget scoring practices, reforming the budget concepts where needed. In order to ensure appropriations are provided for program integrity initiatives, such as Continuing Disability Reviews, Internal Revenue Service enforcement, and HHS and DOL anti-fraud efforts, the final proposal allows for cap adjustments up to a specified amount.

## HEALTH CARE SAVINGS

The chairmen's proposed health care savings are centered on reducing costs, in part by fully offsetting the doc fix and repealing the CLASS Act, and by containing growth in total federal health spending in the long-term.

**Health Care Savings: The Doc Fix.** The looming Medicare reimbursement cuts facing physicians are triggered by the sustainable growth rate (SGR) formula used to calculate payment rates for physicians who see Medicare patients. The reductions represent the program's attempt to collect overpayments made to physicians since 2002. However, since 2003, Congress has postponed the payment cuts called for under the formula. Seeking to erase this accumulated debt, the co-chairs recommend reforming the SGR by freezing the currently scheduled reductions through 2013, and implementing a one percent cut in 2014. Simultaneously, the proposal directs CMS to develop an improved physician payment formula that encourages care coordination and emphasizes quality of care, reinstating the SGR in 2015 until CMS develops a revised system.

**Health Care Savings: The CLASS Act.** The Commission calls for the reform or the repeal of the Community Living Assistance Services and Supports (CLASS) Act established by the Affordable Care Act (ACA), citing concerns about the program's potential for long-term sustainability. As signed into law, the CLASS insurance program is designed to help older Americans and individuals with disabilities pay for non-medical expenses so they can remain independent, and it is to be financed through voluntary payments made by working adults. According to the co-chairmen, because the initial participants in the CLASS Act will pay modest premiums and then be eligible receive relatively large benefits, this will create the need to raise premiums or reduce benefits to ensure program solvency, impacting the popularity and efficacy of the program, and resulting in its eventual failure. However, because the program requires premiums to be collected up front, but would not pay out benefits for five years, repealing this long-term care insurance program would actually increase the deficit by nearly $80 billion through 2020.

**Health Care Savings: Offsets.** The Commission estimates that freezing the current physician payments from 2012 through 2020 would cost $267 billion, and they call for the cost of any doc fix to be fully offset, even recommending eliminating its exception in the statutory PAYGO language. Realizing that repeal of the CLASS Act would cost $76 billion over the next ten years due to the program's five-year vesting period, and seeking to fully offset the cost of the doc fix, the co-chairmen recommend specific health savings totaling nearly $400 billion from 2012 to 2020 in order to offset the costs of the SGR fix and the lost receipts from repealing or reforming the CLASS Act. Below, please find these recommended offsets divided into three categories: (I) Medicare Savings, (II) Medicaid Savings, and (III) Other Savings.

**<u>I. Medicare Savings</u>**

- Increase government authority and funding to reduce Medicare fraud
- Reform Medicare cost-sharing rules
- Restrict first dollar coverage in Medicare supplemental insurance
- Extend the Medicaid drug rebate to dual eligibles in Medicare Part D
- Reduce excess payments to hospitals for medical education
- Cut Medicare Payments for bad debt
- Accelerate Home Health savings in the ACA

In their final report, Bowles and Simpson recommend increasing cost-sharing for Medicare enrollees by (1) replacing the existing structure with a single combined annual deductible of $550 for Medicare Parts A and B; (2) adopting a 20 percent uniform coinsurance rate on health spending above the deductible; as well as (3) a coinsurance rate of five percent for costs between $5,500 and $7,500; and (4) an annual out-of-pocket maximum of $7,500. Thus, the chairmen propose to combine reduced payments to Medicare providers with greater cost-sharing by Medicare beneficiaries, potentially restricting access and affordability among the vulnerable Medicare population.

The proposal would also eliminate first dollar coverage of Medicare co-payments in Medigap plans, prohibiting Medigap plans from covering the first $500 of an enrollee's cost sharing liabilities, and limiting coverage to 50 percent of the next $5,000. Notably, the Commission recommends similar treatment of TRICARE for Life, which is the Medigap policy for military retirees, as well as for federal retirees and private employer-covered retirees. Increasing cost-sharing in Medicare by eliminating first-dollar coverage in Medigap plans would cause beneficiaries to be more judicious about the treatment choices they make, potentially causing Medicare spending on physician services to decline. Significantly, a new round of cuts in payments to Medicare providers on top of the cuts called for in the ACA, could lead many physicians and other providers to decline to accept Medicare patients.

The ACA includes several policies changing reimbursements for Home Health providers. The Commission recommends accelerating these changes to incorporate productivity adjustments beginning in 2013, and directs the Secretary to phase-in rebasing the Home Health Prospective Payment System by 2015, instead of by 2017. Other recommendations to offset the doc fix and changes to the CLASS Act include extending the Medicaid drug rebate to dual eligibles in Medicare Part D; reducing excess payments to hospitals for Graduate Medical Education (GME), potentially exacerbating existing provider shortages; and cutting Medicare payments for bad debt by prohibiting Medicare reimbursements to hospitals and other providers for unpaid deductibles and co-pays owed by beneficiaries, thus eliminating a funding source for hospitals that treat low-income older individuals.

**II, Medicaid Savings**

- Place dual eligibles in Medicaid Managed care
- Eliminate the use of Provider Taxes in financing the non-federal share of Medicaid
- Reduce federal spending on Medicaid administrative costs
- Allow for the expedited application of Medicaid waivers in well-qualified states

The co-chairs recommend transitioning the responsibility for providing health coverage to dual eligibles to Medicaid by requiring that these individuals be enrolled in Medicaid managed care programs. Under this proposal, Medicare would continue to pay its share of the costs by reimbursing Medicaid.

By restricting and eventually eliminating the ability of states to finance a portion of their Medicaid spending through provider taxes, the Commissioners estimate that $44 billion will be saved through 2020. However, many states rely on provider taxes as a legitimate way to support the Medicaid program, and the reduction or elimination of this funding source could negatively impact already cash-strapped states, potentially resulting in lower payments to Medicaid providers and restricted access.

Eliminating Medicaid payments for administrative costs that are duplicative of funds originally included in the Temporary Assistance for Needy Families (TANF) block grants would result in a savings of $2 billion through 2020. Yet, this recommendation does not reduce health care spending; rather, it simply shifts the administrative burden to the states, which may cut Medicaid in other ways to mitigate the additional costs.

The final report also encourages CMS to fast-track state Medicaid waivers that demonstrate improvements in care while increasing savings, specifically citing Rhode Island's Global Consumer Choice Demonstration, which provides a capped federal allotment for Medicaid over five years; Vermont's all-payer advanced primary care practice reform, called Blueprint for Health; and Community Care of North Carolina, a provider-led medical home reform that has increased access to primary care, and decreased emergency department usage.

**III. Other Savings**

- Medical Malpractice Reform
- Transforming the Federal Employees Health Benefits Program

Other savings to help offset the doc fix and the repeal of the CLASS Act include generating $18 billion through 2020 by changing the Federal Employees Health Benefits (FEHB) program into a defined contribution premium support plan. Under the proposal, federal employees would be offered a fixed subsidy that grows by no more than GDP plus one percent each year, and federal retirees would be allowed to use this subsidy to pay a portion for their Medicare premiums. Referencing the suggestion from Commission members Alice Rivlin and Rep. Paul Ryan (R-Wis.) to transform Medicare into a premium support system, the co-chairmen recommend a review and analysis of the FEHB premium support program to determine its effects on costs, health care utilization, and health outcomes in order to determine if this type of premium support model would be useful in considering a premium support program for Medicare.

An additional $17 billion could be saved through a comprehensive overhaul of medical malpractice laws. The Commission recommends allowing outside sources of income, such as insurance benefits, to be considered in deciding awards, as well as implementing a one to three year statute of limitations on medical malpractice lawsuits, replacing joint-and-several liability with a fair-share rule, creating specialized courts for medical malpractice lawsuits, and allowing safe haven rules for providers. The chairmen also propose that Congress evaluate the impact of imposing statutory caps on punitive and non-economic damages.

**Health Care Savings: The Affordable Care Act.** Beyond offsetting the doc fix and the repeal of the CLASS Act, the report includes recommendations for ensuring longer-term sustainability in the health care sector by proposing additional savings in order to contain growth. In addition to accelerating the Home Health savings the co-chairmen propose specific savings initiatives to federal health care expenditures that strengthen some existing provisions in the ACA, such as calling for the implementation of payment reform pilot programs, the expansion of successful cost-containment demonstration programs by 2015, and a stronger Independent Payment Advisory Board (IPAB).[1]

[1] Created by Section 3403 of the Affordable Care Act, the IPAB will develop proposals to slow the growth of Medicare spending.

The ACA requires CMS to conduct a variety of pilot and demonstration projects to test Medicare delivery system reforms, such as Accountable Care Organizations (ACOs) and bundling for post-acute care services. In their report, the Commissioners recommend that CMS aggressively implement and expand these payment reform pilot programs, ensuring coordination with the private sector, as well as at the federal, state and local levels.

Building upon these recommendations, the chairmen call for the successful pilots to be expanded as rapidly as possible requiring the Secretary to implement any pilot projects that have shown success in controlling costs without harming the quality of care by 2015. The Commission recommends utilizing the new Center for Medicare and Medicaid Innovation as the vehicle for accelerating these pilots, and believes that there could be substantial savings in Medicare, Medicaid, CHIP and other health programs from swift and effective implementation of qualifying programs.

Certain provisions within the ACA are designed to constrain health care program costs, such as the IPAB, which is charged with developing proposals to slow the growth of Medicare spending. Specifically, in 2018 and beyond, the ACA directs IPAB to limit the growth of Medicare spending per beneficiary to per capita GDP growth plus one percentage point. Though Republican lawmakers have targeted the board as a target for repeal, Bowles and Simpson believe that strengthening IPAB could lead to further cost savings, and recommend applying its proposals to all Medicare providers.

**Health Care Savings: Long-Term Cost Containment.** In their report, the co-chairs recommend setting a long-term global target for all federal spending on health care. This would include Medicare, Medicaid, CHIP, and the ACA initiatives, as well as the premium subsidies and cost-sharing available through the Exchanges, and the value of the tax exclusion for employer-sponsored health insurance. Bowles and Simpson propose containing growth after 2020 in all federal health expenditures to no more than one percentage point more per year than the rate of growth in the GDP. Under the plan, if federal health care spending exceeds this target, the President should take additional steps to control costs, such as overhauling the fee-for-service payment system, increasing premiums or cost-sharing for beneficiaries, and adding a public option, or an all-payer system, or both, to the Exchanges.

## REFORMING SOCIAL SECURITY

Recognizing that the depletion of the Social Security trust fund would trigger an immediate 22 percent benefit cut, Bowles and Simpson make recommendations to avoid this scenario and achieve long-term solvency, such as adding a new minimum benefit, changing the benefit formula, raising the retirement age, reformulating the cost-of-living adjustments (COLAs), increasing the taxable maximum, and expanding Social Security to include new state and local workers after 2020. Of the savings generated from their proposals, two-thirds results from benefit cuts, and the remaining one-third stems from new revenues. If adopted, it is estimated that these changes would result in benefits eventually being cut by nearly 25 percent for people earning $43,000 in 2010 dollars, and by approximately 40 percent for those earning $100,000.

Echoing their guiding principle to protect the most vulnerable, the chairmen seek to reduce poverty among older Americans, in part by providing older retirees most at risk of outliving their retirement resources with a benefit boost, as well as adding a new 'special minimum benefit' to keep full-career (30-year) minimum wage workers above the poverty threshold. Specifically, the co-chairmen recommend providing a benefit boost to individuals with 20 years of Social Security eligibility. The "20-year benefit bump" would equal five percent of the average benefit, and it would be phased-in over five years. Additionally, they would create a new minimum benefit to provide qualifying workers with a benefit equivalent to 125 PFL in 2017. In subsequent years, the benefit would be wage indexed, phasing-down proportionally for workers with less than 30, but more than ten, years of earnings.

The co-chairmen's proposal would increase revenue and broaden the payroll tax base by gradually increasing the maximum taxable amount, which is currently tied to average wage growth, so that 90 percent of all earnings would be subject to the tax by 2050. This would result in a taxable maximum of about $190,000 in 2020, compared to $168,000 under the current law. Additionally, the chairmen recommend divorcing the taxable maximum from COLA increases, thereby allowing the former to rise in zero-COLA years. Under the existing system, 30 percent of state and local government workers remain outside the Social Security system. Thus, to bring in additional revenues, the co-chairmen suggest expanding system coverage to newly hired state and local workers after 2020. While this expansion would bring in more revenues from younger workers during the 75-year actuarial period, the benefit obligations created beyond that time frame are not addressed by the Commission.

Bowles and Simpson also recommend gradually moving to a more progressive formula that slows future benefit growth, beginning in 2017 and not fully phasing in until 2050. Specifically, they recommend modifying the existing formula by creating a new bend point at median lifetime income and then slowly reducing the upper replacement factors. In the current system, initial benefits are calculated using a progressive three-bracket structure, with three distinct bend points at 90, 32, and 15 percent. Under this formula, individuals are eligible to receive 90 percent of their first $9,000 of wage-indexed average lifetime income, 32 percent of their next $55,000 and fifteen percent of their remaining income, up to the taxable maximum. The Commission recommends phasing-in an additional bracket by splitting the existing middle bracket at the median income level, $38,000 in 2010, and then gradually changing the replacement percentage rates from 90, 32, and 15, to 90, 30, ten, and five. These changes to the formula would reduce benefits for workers with above-median earnings, as well as for retired and disabled workers, while eliminating 45 percent of the existing 75-year shortfall. Critics of this recommendation claim it is moving away from the current universal insurance model, by basing benefit allocation on a beneficiary's assets and other sources of income, rather than on the beneficiary's contribution to the program over his or her working life, and that replacing the social insurance model with a welfare model could erode support, encourage fraud, and undermine the program.

The co-chairs suggest indexing the retirement age to life expectancy, and their proposal would allow the current rate of increase in the normal retirement age (NRA) to remain in place until it reaches 67 in 2027. At that point, the co-chairs would index the early and full retirement ages to life expectancy, gradually increasing the NRA and the Early Retirement Age (EEA) by one month every two years. At this rate, the NRA and EEA would reach 69 and 64, respectively, in about 2075. Recognizing that individuals in physically demanding jobs may be ineligible for disability benefits and yet unable to work past 62, the chairmen include a 'hardship exemption' in their recommendation and direct the Social Security Administration to develop a mechanism to provide for the early retirement needs of workers in physical labor jobs.

As analyzed by the Office of the Chief Actuary, an increase in the NRA amounts to an across-the-board cut in benefits for people at all earnings levels, regardless of the age at which they retire, with each one-year increase in NRA representing a six or seven percent cut in benefits. Additionally, according to a November 18, 2010 GAO report titled, "Social Security Reform: Raising the Retirement Ages would have Implications for Older Workers and SSA Disability Rolls," raising either the early or full retirement ages may result in increasing numbers of workers applying for, and receiving, disability insurance benefits, which are paid out of the Social Security trust fund. The report suggests that raising the NRA above the current levels would incentivize many more workers to seek disability coverage in order to preserve their higher payouts in the future.

The co-chairmen recommend giving retirees more flexibility in claiming benefits, by allowing beneficiaries to collect half of their benefits as early as 62, and the other half at a later age in order to ensure a smoother transition into retirement. To better inform future beneficiaries on retirement options, the Commission directs the SSA to provide the public with more robust information regarding the implications of various retirement decisions, while encouraging delayed retirement and enhanced levels of retirement savings.

Reforming the COLA calculation by adopting the chained Consumer Price Index, which is regarded by some as a more accurate measure of inflation, would close 26 percent of the system's 75-year financial shortfall. This change would start in December 2011, and would reduce COLA adjustments by about .3 percentage points each year for everyone on benefit rolls, not just retirees. Critics of applying the chained-CPI to determine COLAs maintain that the mechanism incorrectly assumes that older Americans have the same flexibility and options as younger, working Americans, while those in favor of the change propose that the chained-CPI effectively prevents hidden increases in real Social Security benefits, the costs of which accumulate over time.

## OUTLOOK

**111$^{th}$ Congress**. Under the commitment between the Administration and House Speaker Nancy Pelosi (D-Calif.) and Senate Majority Leader Harry Reid (D-Nev.), the House and Senate agreed to bring any proposal approved by 14 of the Commission's 18 members to a floor vote. Given concerns among both parties over some of the plan's more contentious proposals, with Democrats protesting the plan's cuts to entitlement programs and Republicans opposing its estimated $1 trillion in higher tax revenues over the next ten years, obtaining enough votes to trigger Congressional consideration of the entire package was consistently unlikely throughout the debate. Although approval for the final report predictably fell short of the 14-vote threshold, the Commission's recommendations did receive bipartisan support, as 11 Commission members, including two Senate Republicans and three Democratic lawmakers, endorsed the plan.

**112$^{th}$ Congress.** Thus, since it was anticipated that the vote on the final report would fail to garner the supermajority needed to send it to Congress, the more unexpected outcome from the Commission's vote is the existing bipartisan support for the Bowles-Simpson proposal. In part due to this bipartisan support, the Commission's work is expected to be the beginning of a concrete process to reduce the national debt, and elements of the final report are likely to resurface in 2011.

With the Commission's findings widely expected to play a role in the upcoming annual budget debate, as well as in the projected need to increase the debt ceiling early next year, leaders from both parties have announced their intentions to incorporate some of the Commission's recommendations into future legislative initiatives. Currently, lawmakers are predicting that recommendations to overhaul the budget process and implement spending cuts are the most likely to be considered next year, while other initiatives, such as a comprehensive rewrite of the tax code, will prove difficult to address given the two-year window until the next presidential election.

Looking ahead, the bipartisan support for the plan may preview future political fault lines, as four returning Senators, including two Republicans, endorsed the plan, and all five returning members of the House, three Republicans and two Democrats, were joined by Sen. Max Baucus (D-Mont.) in voting against it. Republicans seeking to cut spending are expected to use the panel's recommendations for sharp cuts in discretionary spending to support their efforts, but with the Senate and White House remaining under Democratic control, the GOP may face difficulty in advancing this agenda. Rep. Paul Ryan (R-Wis.), Commission member and the incoming Chairman of the House Budget Committee, has already pledged to push for some of the report's budget process recommendations, including statutory discretionary spending caps, while Senate Budget Chairman Kent Conrad (D-N.D.), who voted in favor of the Commission's recommendations, is advocating for a White House-Congressional summit to facilitate bipartisan discussion.

Though the Executive Order creating the Commission mandates its dissolution 30 days after the December 3 vote, the legacy of the panel's work will remain, as deficit reduction is expected to be a central theme in the coming year's political debate. Initially, the Commission's impact will be tested when Congress returns in January, as they will be met with an increasing federal deficit that is expected to reach the $14.3 trillion debt ceiling by early spring, thereby temporarily displacing the need for long-term solvency with the immediate need to consider raising the national debt limit for a second consecutive year. Additionally, President Obama has indicated that the plan could help shape his upcoming budget request, noting that he and his economic advisors will analyze the Commission's work in developing the Administration's budget and legislative priorities for FY 2012; and the resulting budget resolutions of both parties, when released in March, will also be impacted by this dialogue.

**Alternative Proposals**. One outcome of the Fiscal Commission's debate has been the release of independent debt reduction proposals by Commission members, with Alice Rivlin, Rep. Jan Schakowsky (D-Ill.) and Rep. Ryan (R-Wis.)all releasing alternatives to the Commission's plan during the course of the debate.

Rivlin, who voted in support of the Commission's report, co-authored a plan with former Republican Senator Pete Domenici of New Mexico. The Rivlin-Domenici analysis was sponsored by the nonprofit Bipartisan Policy Committee, and it suggests dividing the mix of tax increases and spending cuts more evenly than the Commission's proposal, as well as increasing stimulus spending in the near-term to spur economic recovery. Additionally, the plan recommends slowly eliminating the employer health care subsidy until 2028, encouraging employers to put more money towards taxable wages to raise Social Security revenues.

Rep. Ryan's plan, also co-authored with Rivlin, seeks to downsize government and avoid tax increases, in part by turning Medicare into a voucher program and capping government contributions. The Rivlin-Ryan Plan's recommendation to replace the traditional Medicare fee-for-service system with an annual voucher that future retirees could use to purchase health insurance, as well as its proposal to convert Medicaid into a block grant program, have received some support, in part due to the $280 billion ten-year savings projected by the CBO. However, others remain wary of this approach, backing the Bowles-Simpson global budgeting proposal to contain health care costs instead.

Conversely, Rep. Schakowsky's plan would raise taxes on higher-income families and individuals while cutting the defense budget more sharply than Bowles and Simpson, with nearly 90 percent of all spending cuts coming from defense under her proposal. The Schakowsky Plan would also create a public health care option, would use Medicare rates to compete with plans on the Exchanges, and would allow Medicare to negotiate for lower drug prices and insurance plans. Additionally, to maintain solvency in the Social Security program, she recommends eliminating the cap on the payroll tax for employers, while raising the employee cap and imposing a tax on up to four percent of earning above the cap.

## IMPLICATIONS

Despite the Commission's report failing to reach Congress as a whole, it remains possible that some of the individual proposals eventually will be considered through future legislative vehicles. Additionally, the Commission sets the stage for some form of a federal deficit reduction initiative(s). For example, in the Process Reform section of the report, the Commissioners recommend establishing a debt stabilization process to enforce deficit reduction targets. Taken alone such process could have significant implications for federal policy and funding going forward.

Accordingly, NASUAD member agencies should be attentive to the possibility of any of the Commission's recommendations, particularly as competing proposals emerge and a new legislative session begins in January. Thus, with spiraling federal debt and the new Congressional composition, some recommendations merit tracking and consideration:

9. ***Cut-and-Invest Committee*** – The Texas Sunset Commission plays an important role in government oversight and accountability at the state level, and a similar federal entity, as proposed by the co-chairs, could garner bipartisan support. In tracking the development and assessing the potential impact of this recommendation, key considerations should include: (a) would the federal Committee have the powers necessary to enforce its actions? (b) How would the Committee liaison with existing Congressional Budget and Appropriations Committees? and (c) How would this Committee interface with the General Accountability Office (GAO)?

10. ***General Accountability Office (GAO) Report*** – Related to the proposed Cut-and-Invest Committee, the first annual GAO duplication review report of potentially overlapping programs, agencies, and initiatives also will be critical to track. The information in that document could be taken up by budget-conscious legislators.

11. ***Discretionary Spending Caps*** – Such caps could have significant implications for programs under the purview of the Senate Health, Education, Labor and Pension (HELP) Committee and the House Education and Labor Committee. Most notably, these Committees oversee the Older Americans Act and Social Services Block Grant programs, and advocacy efforts for program preservation could become highly competitive if these proposed caps were enacted.

12. ***CLASS Act*** – While some experts have questioned the potential impact of the CLASS Act, considerable effort to ensure its effective implementation has already been invested in the program. Additionally, some states have begun modeling fiscal impacts in CLASS up-take and participation, such as Medicaid diversion and Medicaid offsets through the collection of CLASS Act payments to participants. Elimination of the program with no viable alternative places financing long-term services and supports squarely back upon Medicaid.

13. ***Medicaid Proposals.*** As a result of the Great Recession, state Medicaid programs face significant budgetary pressures. Many of the Bowles-Simpson proposals could create barriers to services for beneficiaries. In addition to restricting access, the chairmen's proposed administrative match reductions would compound existing challenges with state staffing levels, as 50 percent of state Medicaid agency staff costs are financed by federally-approved Cost Allocation Plans. Additionally, the proposal to eliminate Medicaid provider taxes would be a significant issue. However, one Medicaid proposal could be helpful. The Commission report includes a recommendation that CMS implement a presumptive eligibility process for "well-qualified states." Applicant states' waiver proposals, up to ten per year, would have to meet the following criteria: a) improve quality, efficiency, and cost of care; and b) result in no increase in the uninsured population. Applications would be considered by the CMS Center for Innovation.

It is possible that the DHHS Secretary could establish such a process in the absence of federal legislation under current law.

14. ***Medicare Cost-Sharing.*** Drew Altman, President and CEO of the Kaiser Family Foundation, in his November 11, 2010 article, "Pulling it all Together: The People Behind the Entitlement Debate," illustrates that many older Americans and individuals with disabilities on Medicare have not only low incomes, but also pay a significant share of those incomes for their current health care, a daunting reality that makes it difficult to ask a majority of Medicare beneficiaries to pay more or make do with less. Altman points out that nearly 47 percent of all elderly and disabled people on Medicare have incomes that are below twice the federal poverty level (FPL), which is less than $20,800 for an individual and $28,000 for a couple in 2008 dollars. Adding to the pressure facing this lower-income population is the reality that Medicare beneficiaries already spend a disproportionate amount of their household budgets on health care than the non-elderly. Troublingly, the median out-of-pocket health spending for the elderly and disabled on Medicare as a share of income has been rising, from about 12 percent in 1997 to more than 16 percent in 2006, with even higher rates for those living below the poverty level (21%) and among those between 100 and 200 percent of poverty (23%). Thus, since the ACA has already increased the number of higher-income beneficiaries who will pay higher Medicare premiums, additional cost increases for higher income beneficiaries could be problematic for this population.

15. ***Reductions in Medicare Reimbursement.*** Some entities have expressed concerns that reductions in Medicare Advantage (MA) plans and Home Health Care reimbursement could result in market retraction. Significantly, many states pursuing integrated care models, such as Medicare and Medicaid and/or acute and long-term care, are using Medicare Advantage Special Needs Plans (SNP) as the key vehicle. Considering current state fiscal environments, virtually no state would be able to offset SNP Medicare capitation payment reductions. The resulting impact of these factors could be a dampening effect on integration efforts, unless the newly-established CMS offices, the Center for Medicare and Medicaid Innovation and the Federal Coordinated Health Care Office, are able to launch alternative approaches.

16. ***Global Federal Health Care Spending Target.*** Unlike the Medicare spending target outlined in the ACA's IPAB directive, which is based on spending per beneficiary, the chairmen's global spending target makes no allowance for circumstances where the number of beneficiaries increases faster than the overall population. That is, in departing from the traditional model of designing health care cost growth targets on a per beneficiary basis, the proposal ignores the potential for beneficiary growth in one sector of the federal health care system, such as Medicaid or Medicare. The proposal could result in cutbacks that have dramatic impacts on large numbers of vulnerable citizens, in order to cap total health program costs at a growth rate of GDP + 1. Additionally, the proposal neglects to make any adjustment for composition of the beneficiary population, a critical variable in determining cost calculation, given the relative

higher health care costs associated with Medicaid beneficiaries who are older Americans than are associated with child beneficiaries and working-age adults. This categorization is significant, given that the proportion of Medicaid beneficiaries who are older is expected to increase as the baby boomers begin to retire, while the proportion of younger beneficiaries simultaneously declines, raising overall program costs even if the growth in costs for health services has been contained in accordance with the Bowles-Simpson proposition.

17. ***Transportation Trust Fund –*** In this proposal, the Commission recommends funding the national Transportation Trust fund by gradually increasing the per gallon gas tax by 15 cents per gallon between 2013 and 2015. Such increases could impact state aging and disabilities agencies capacity to finance transportation services both under Older Americans Act programs as well as Medicaid-financed transportation, such as the State Plan Option Non-Emergency Medical Transportation Brokerages, and Section 1915(c) Waiver transportation services.

18. ***Program Integrity Reviews*** – Already states have begun to experience greater scrutiny from the CMS Office of Program Integrity. The Commission report includes a proposal to allow for cap adjustments aimed at financing program integrity efforts. The Commission report specifically cites Continuing Disability Reviews.

As noted above, in developing their report, one of the Commission's guiding principles was to "protect the truly disadvantaged" by "[focusing] benefits on those who need them" and "[ensuring] an affordable and sustainable safety net." A worthy goal, and yet key recommendations within the co-chairmen's final proposal, such as their approach to reforming Social Security, are contradictory to their stated goals of reducing elder poverty, ensuring long-term solvency, and increasing program flexibility. With the formal work of the Commission now complete, NASUAD advocacy will continue to focus on the consequences and implications of the panel's recommendations, not only in the context of their self identified guiding principles, but also in terms of future legislative enactment and sustainability of their recommendations.