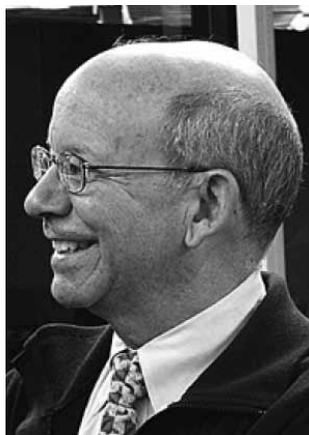


PETER DeFAZIO

OUR NATION'S FINANCIAL FUTURE



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M.C.
Presorted Standard

U.S. REPRESENTATIVE · 4TH DISTRICT · OREGON

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Congress of the United States
House of Representatives
May 2011

Dear Friend:

The headlines out of Washington, D.C. are ominous- threatened government shutdowns; possible default if the \$14.3 trillion debt limit isn't revised; the end of Medicare as we know it and threats to Social Security. In this newsletter I will try and explain the magnitude of our nation's financial problems and offer my ideas on how to restore fiscal stability to the federal budget.

Since we last balanced the budget in 2000 under the Clinton administration, the U.S. government has added an unimaginable \$8.7 trillion to our national debt.

The President and the Republican House majority have offered wildly different budget proposals with only one thing in common- deficits would continue until nearly mid-century. I don't think we can wait that long to put our fiscal house in order.

I am one of a few Democrats that **supports a balanced budget amendment and I have a plan to balance the budget in ten years.** You can read on page 4 how my plan is widely different than the proposal made by the majority.

Under the majority's plan Medicare would end as we know it, shifting health care costs onto all individuals. Below you can review how these changes will affect you and read about my efforts to strengthen Medicare and rein in escalating health care costs.

Some of my colleagues claim that the current fiscal situation demands cutting Social Security benefits or raising the retirement age. This is false. Social Security is not now, and never was, the cause of our deficit. **I have introduced legislation that restores seniors' cost of living adjustment, protects the Social Security Trust Fund, and ensures that Social Security will remain solvent for the next 75 years.** (See page 3)

As always, I want to hear your opinions about these and other issues before Congress. If you have a problem with a federal agency you can call my office at 800-944-9603 for help.

Medicare "Reforms" Mean Skyrocketing Costs

The Republican budget plan would end Medicare as we know it. For anybody 54 years and younger, it would push future seniors into the private insurance market and dramatically boost premiums for those who still have Medicare.

Americans who have paid into Medicare their entire lives **would no longer have an assured Medicare benefit.** The non-partisan Congressional Budget Office (CBO) estimates that the majority's plan would almost triple health care costs for future seniors. **A senior who pays 25 percent of their health care costs under Medicare today would pay 68 percent under their privatization plan.** These cuts to Medicare do nothing to deal with the high cost of health care. Instead, they massively shift the obligations to pay for health care onto future seniors.

Their plan would funnel taxpayer money to private insurance companies to partially subsidize government-approved, for-profit private insurance plans that will replace Medicare. Future seniors would be forced to purchase these government-approved, private insurance plans through an exchange. It would also restore the

expensive “donut hole gap” in prescription coverage and would undo reforms to end the worst abuses of the insurance industry. Private insurers would once again be allowed to discriminate on the basis of pre-existing conditions, age, and sex; and they would once again be allowed to cancel policies if you get sick.

Even those over age 55 wouldn't be exempt from higher costs.

Medicare beneficiaries are required to pay a fixed percentage of Medicare health care costs through their premiums. If younger, healthier seniors were not allowed into the program, the cost per Medicare recipient would dramatically escalate. And according to data from Health and Human Services and the Congressional Budget Office, the reestablishment of the costly donut hole would increase prescription drug costs for 58,000 Oregonians by \$600 million.

Protecting Medicare is a Moral Obligation to our Seniors

Before Medicare was created, too many seniors were driven to poverty due to the lack of affordable health insurance. Back then, seniors were charged sky high premiums for private health insurance because of their age and pre-existing conditions. The majority's plan would turn back the clock, once again putting seniors at the mercy of private insurance plans- they call this “market discipline.” I call it an expensive recipe for disaster.

Middle class Americans cannot afford large additional financial health care burdens in retirement no matter how prudent they have been with their savings and investments. Dismantling Medicare will not bring down the real cost of health care. Medicare, like all health insurance, is impacted by the rapid increases in health care costs. According to a recent Kaiser survey, the average annual private insurance health premium for an individual was \$5,000 in 2010, up from \$2,700 in 2001.

Help With Medicare Premiums

The Qualified Medicare Beneficiaries program helps seniors with monthly income under \$1,226 (\$1,665 for couples) cover their Medicare premiums. **Call 1-800-282-8096** and the Oregon Department of Human Services will connect you with a local office to determine your eligibility.

DeFazio's Efforts to Lower Health Care Costs

I supported the reforms adopted last year that give seniors access to preventative care in terms of vital health screenings and annual physicals. These reforms will also explore better ways to pay doctors. Today's billing system rewards doctors who see a high volume of patients with short appointments and order a high volume of tests and procedures. We can reduce health care costs by paying doctors to successfully treat patients with outcome based medicine that avoids unnecessary medical tests, invasive procedures, and hospital admissions.

Insurance industry must play by the same rules

It is hard to address health care costs when insurance companies don't play by the same rules as virtually every other industry in the United States. **The health insurance industry is exempt from anti-trust law, giving them the power to collude, drive up prices, and discriminate against people for a host of conditions to protect their bottom line. Over the last 10 years premiums for people who buy health insurance have doubled in Oregon, a result mirrored around the country.**

In 2010, the House voted nearly unanimously to pass a bill I spearheaded that would take away the insurance industry's special exemption from anti-trust law. Unfortunately, the effort died in the Senate. In February, I offered the same bill as an amendment to H.R. 1, but the Republican leadership blocked a vote. Instead, H.R. 1 repeals the critical reforms enacted by the health care law. Not only would their bill allow insurance companies to continue to be exempt from anti-trust law, it reinstates their ability to discriminate based on age, sex, and pre-existing conditions, and drop your policy if you get sick. I will continue to fight for anti-trust coverage of the insurance industry until this unwarranted loophole is closed.

Allow government to negotiate for lower drug prices

In 2003, Congress passed Medicare Part D, which included a provision that prevents the federal government from negotiating better prescription drug prices for Medicare recipients. **This has cost taxpayers over half a trillion dollars in hand-outs to the drug industry**, all of it borrowed. It also included a massive donut hole in coverage forcing seniors reliant on prescription medicine to pay thousands of dollars. I strongly opposed this provision and been working ever since to fix it.

I am a cosponsor of the Prescription Drug Savings and Choice Act, which allows the federal government to negotiate with drug companies and take advantage of its ability to purchase prescription drugs in bulk. **This bill will save taxpayers over \$20 billion and provide seniors with lower cost premiums and copays for prescriptions.** Seniors shouldn't have to ration their pills or limit their dosage because they can't afford to pay for prescriptions each month.

Strengthening Social Security

Despite the hype, there is no immediate Social Security crisis. Social Security is not now, and never was, the cause of our deficit. Those spreading these false claims are the same people who have for years been working with Wall Street to privatize the program. I will be fighting these dishonest attacks to ensure all Americans get the full benefits they have paid for and were promised.

A Fair Annual COLA For Social Security

Seniors have not received a cost of living adjustment (COLA) for two years. The Social Security COLA is calculated using an outdated formula based on the cost of consumer products like laptop computers and iPods, as opposed to consumer goods most often purchased by seniors like prescription drugs, housing, food, and other basics. Health care costs are going up at twice the rate of inflation and seniors suffer from those increased costs more than younger Americans. Using such a poorly designed formula defies all common sense.

To address this problem in the short-term, I fought for legislation to provide one-time payments of \$250 to Social Security recipients in 2010 and 2011. I also introduced H.R. 798, the Consumer Price Index for Elderly Consumers Act, to change the COLA formula in the long-run. Seniors need a COLA that truly matches increases in their expenses.

No Congressional COLA

Some e-mails allege Congress “decided” not to grant a Social Security COLA, while at the same time giving themselves a pay-raise. This is false.

The defective COLA formula is automatic and has been law since 1975. Also, Congress blocked a pay-raise for Members in 2010 and 2011. Members of Congress shouldn’t feather their nests when so many Americans are struggling to get by. I have voted against every pay raise and have tied any increase in my salary to the Social Security COLA. By the end of 2011, I will have turned back \$334,000 of after-tax salary toward 207 scholarships and debt reduction.

Safeguard Social Security from “raids”

I introduced H.R. 796, the Social Security Protection and Truth in Budgeting Act, which would safeguard Social Security from ever being “raided.”

Social Security was created in the 1930s to ensure all Americans could retire with dignity- it wasn’t designed to hide federal deficits and serve as a credit card for the Treasury. Nevertheless, over the past 30 years the Treasury has borrowed \$2.5 trillion from the Social Security Trust Fund. H.R. 796 would prohibit this practice in the future and prohibit any other non-Social Security use of the Trust Fund.

Close Tax Loopholes for Wealthy Americans

I have also introduced H.R. 797, which preserves the Social Security Trust Fund by closing a tax loophole so millionaires pay the same percentage of their salaries into Social Security as average American workers. It subjects all income over \$250,000 to the same 6.2 percent Social Security tax rate that middle class wage earners must pay. According to the Social Security Actuary, my bill guarantees the Social Security Trust Fund will be solvent and pay full benefits for at least 75 years.

We have a choice: we can tell future retirees that they will have to work until age 70 and that their Social Security benefits will be cut in order to maintain a tax loophole for the wealthiest six percent of the population, or we can close this loophole and guarantee full benefits for future generations.

Join My Telephone Town Hall

I will be holding Telephone Town Halls this year. It is a chance for you to join thousands of other Oregonians to ask me questions and hear more about issues before Congress.

If you are on Oregon’s Do-Not Call list, and want to participate please call my office at 800-944-9603 or via email by going to www.defazio.house.gov and leave your name and phone number so you can be included on the call.



Congressman DeFazio speaks with constituents about the economy and the importance of community involvement

DeFazio Plan for a Balanced Budget

During the Clinton years, I supported a budget plan that eliminated the deficit and balanced the budget in 1999 and 2000. During those same years we actually paid down the debt for the first time since 1969.

Under the premise that these surpluses would last, President Bush pushed through two huge tax cuts skewed heavily toward millionaire and billionaire speculators and investors, and estates worth more than \$5 million. Those tax cuts, plus two wars, led to massive deficits adding \$7 trillion to our debt. Since 2009, President Obama has already added another \$1.7 trillion to the debt. This rate of growth in our national debt is not sustainable.

Over the past several months, Congress debated the budget for the remaining 2011 fiscal year. I voted for a bipartisan 2011 budget compromise that cut \$38 billion in spending over the next six months as a down payment on a longer term plan to restore fiscal balance.

We are now debating that longer term plan.

The Republican majority passed a budget that cut investment in transportation and education and shifted massive health care costs onto seniors while protecting many special interest tax loopholes and subsidies.

Their plan won't balance the budget until 2040. **I believe we can balance it by 2021.**

First, we must adopt a balanced budget amendment to the Constitution. In 1995, I was one of only a few Democrats to vote for a balanced budget amendment. I supported such drastic action because my colleagues were not willing to make tough decisions. This year, I have again cosponsored a bi-partisan balanced budget amendment offered by Rep. Goodlatte, and I have also introduced my own legislation. I believe my proposal is superior to Rep. Goodlatte's bill in that it requires any significant military action that is not a congressionally declared war, like Libya, to be included in the budget rather than declared emergency spending as in the case of Iraq and Afghanistan.

Next, by making strategic cuts, ending wasteful subsidies, and ensuring that large corporations and the wealthiest Americans pay their fair share of taxes, we could balance the budget within a decade.

Ending tax loopholes for profitable corporations would generate \$159 billion a year according to Citizens for Tax Justice. While Americans are paying \$4 per gallon at the pump, Exxon reportedly avoided paying any income taxes on their record \$30 billion profits in 2009. Similarly, GE paid no federal income taxes in 2010 on profits of \$14.2 billion.

Ending subsidies to big agriculture conglomerates would save \$20 billion a year according to the Office of Management and Budget.

Ending the Bush tax cuts would slash the deficit over the next 10 years.

A return to the Clinton-era tax rates, which I voted to do last December, would cut the deficit by \$850 billion over the next 10 years according to the Joint Committee on Taxation.

Finally, we must eliminate waste and unnecessary programs. There is no reason to spend billions of dollars per year on antiquated Cold War era weapons systems the Pentagon does not want. We must also reassess our troop deployment in Iraq and Afghanistan and other Cold War commitments to nations like Germany and Japan. A smaller presence of Special Forces in Afghanistan would allow the Afghans to settle their intertribal and intratribal conflicts, and would save U.S. taxpayers over \$100 billion per year.

Federal budgets are about priorities and tough choices. If Congress is going to balance the budget ever again, the ideologically driven politics need to give way to reasoned decision and thought.

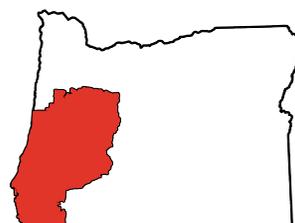
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