2012 Election and Fiscal Cliff Notes

(\*Disclaimer: Information is changing daily and mixes speculation with fact. Any or all of these notes may be inaccurate or outdated at any given time.)

Election

Some are calling this a status quo election as the players remain the same: President Barack Obama, Senator Harry Reid and Speaker John Boehner.

Republicans failed in their goals set in 2010 to unseat President Obama and to take back the Senate.

Obama received 51% of the popular vote and 62% of the electoral votes.

An estimated $5.8 billion was spent on the presidential election.

Democrats gained ground in the Senate and now have a 53 – 45 – 2 majority (of the independents, one is socialist and both are likely to caucus with the Democrats).

Republicans maintained control of the House.

There are 30 Republican governors and 20 Democrat governors.

Ohio’s congressional delegation remains split in the Senate with one R and one D; Ohio R’s maintained an 8 seat majority in the House (12 – 4). Ohio lost two seats because of apportionment.

Bipartisanship is not consistent with how America votes, especially in the primaries. This is likely to continue to impact decisions on the federal level.

The Patient Protection & Affordable Care Act will not be repealed.

States will need to decide on Medicaid expansion. Many states are expected to participate in the expansion because of the high federal match rate.

Fiscal Cliff

Sequestration will result in $1.2 trillion in automatic spending cuts beginning January 2, 2013 and being evenly divided annually through 2021. The total cuts for 2013 would be $109 billion according to a recent White House report. However, due to the debt savings of 18%, the cuts will be at $984 billion. Cuts will range from 7.6% to 9.6% and are to be across-the-board cuts. 50% of cuts will be to defense and 50% to nondefense programs, or %54.6 billion each for 2013. The situation is further complicated by the Bush-era tax cuts expiring, estate taxes disappearing and the alternative minimum tax going away - on December 31, 2012.

A “grand bargain” needs to be made by December 31, 2012 that results in $1.2 trillion in cuts or sequestration is triggered on January 2, 2013. There is talk of a “framework” being done in the lame duck and that legislation would follow.

Many constituents, including defense, entitlement and tax reform advocates, are applying significant pressure to avoid sequestration.

The president has suggested $51 billion in cuts to Medicaid over 10 years by:

* Implementing a blended match rate (FMAP)
* Cutting the maximum provider tax rate
* Changing the reimbursement for durable medical equipment
* Eliminating the disproportionate share payments to hospitals

The House proposed cutting Medicaid by $800 billion over 10 years and included block grants to the states.

Next great debate will be between the D’s, especially in the Senate. House D’s are seen as irrelevant.

D’s need to decide how important entitlement programs are to them.

R’s need to decide how far they are willing to go with tax increases for the wealthy.

Obama is about big picture policy, so is viewed as willing to deal – even with Medicaid and other entitlements. He wants a deal done so he can get on healthcare and immigration. Obama’s use of the bully pulpit may hinder his effectiveness with the House R’s – but he’s already using it and he was re-elected.

Speaker Boehner has offered to consider a balanced approach including revenue.

Social Security, Medicare, Medicaid and Defense may be safe. However, Medicaid draws attention because of the Medicaid expansion (increased federal obligation due to increase in enrollment and higher FMAP).

Provider tax on ICF’s/IID viewed as safe for now, because too many states rely on provider taxes to fund their human services.

There is a difference of opinion on the possibility of block granting Medicaid. Some think it’s not going to happen and others say it’s still on the table. Another solution being discussed is a per capita cap, another individual cost caps.

US credit rating is at stake, no one wants to fail including other countries.

Programs that are mentioned as being at risk are SNAP, child care tax credit and the earned income tax credit (EITC).

Some examples of areas to be cut are HUD, FEMA disaster relief, child care, HHS substance abuse and mental health, child nutrition, Medicare.