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A CONVERSATION WITH
HOUSE BUDGET CHAIR TOM PRICE
ON BUDGET PRIORITIES, PROCESS, AND
FISCAL CHALLENGES

Washington, D.C.

Wednesday, January 13, 2016

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P R O C E E D I N G S

MR. WESSEL: Hi. I'm David Wessel. I'm director of the Hutchins Center here on Fiscal and Monetary Policy. I am not Tom Price, this is not Tom Price, that is not Tom Price, so forth. Tom Price is voting on the Hill and we expect him to be here soon, but we thought what we'd do is reverse the order. We're going to have a conversation here and then when Congressman Price arrives, my colleagues will descend to the floor and we'll go ahead with the program as we previously planned.

Just to introduce who's up here, to my immediate left Molly Reynolds, who's a fellow in Governance Studies here at Brookings and has been working on understanding the congressional process, if there is one, and how to make it better; Stuart Butler and Bill Gale, both of whom are colleagues of mine in Economic Studies; and Michael O'Hanlon, who is in our Foreign Policy department and specializes in defense and national security issues.

And I thought what I'd ask each of colleagues to do very briefly is to tell me first one thing that struck you, either positively or negatively, about the State of the Union last night. And then we're going to move into budget issues as a kind of warm-up act for Chairman Price.

So Michael, maybe I can start with you. I hope you listened to the speech. If you didn't, we'll see how good you can fake it.

MR. O'HANLON: Thank you, David, and good afternoon, everybody. It's nice to be part of this conversation.

I guess, you know, there wasn't a lot of discussion on defense. President Obama said two or three things by way of looking at the military specifically. Then he referred, obviously, to the way we handle various crises and conflicts around the world, as well. I'll save that for later if we get to it.

On the military itself, he said that we outspend the next eight nations combined in military resources. And he also said that we have by far the best military on the planet, bar none, period, exclamation mark. Those two comments by themselves are relatively unremarkable. If I were going to nitpick I would be tempted to tease President Obama and say that a couple years ago in a speech he said we shouldn't be counting -- or evaluating the military in terms of how many bayonets and horses it had and nor should we be comparing budgets because they don't really tell you about capability. And by the way, we do things in multiple theaters, so we actually need more than probably two or three or four countries if not a greater number than that. And the Chinese can cause a lot of mischief with a \$10 million cruise missile against a \$10 billion aircraft carrier or a Taliban fighter can cause a lot of trouble for us with \$100 used AK-47 against forces that are a small unit that can be evaluated as costing many hundreds of thousands of dollars a year.

So these budget comparisons aren't great, but, on the other hand, they were accurate. And I said if I were to nitpick these are the points I could make. So I won't bother nitpicking now that I have. (Laughter)

But the other thing, the more interesting comment was the way in which Governor Haley, I think, set up a lot of what the defense debate will be in 2016. And I'll just mention that in passing because she made the comment, one of the more sarcastic comments in her generally fairly congenial and I thought pretty good speech, in which she said instead of just thanking our men and women in uniform for their sacrifice, we'd actually be giving them the means to win wars, so that when we fight, we win.

The question then is, well, you know, when you're dealing with the Taliban or with ISIS or what have you, is it really just a question of ramping up the budget by a little bit? Probably not. That's probably not the right way to think about solving these

problems. But I do think she was hinting at some of the conversations we'll see in the rest of the year, some of the debates, on issues like can we keep cutting the size of the Army?

Does the Navy need to get bigger to deal with China's rise? Because even if China is one of those countries that now taken together, you know, eight of them together only spend the equivalent of the United States, China itself is pushing \$200 billion a year in its military budget and going up, probably at a slower pace in percentage terms than before given its economy, but they're still going up. We're somewhere around \$575 billion a year in resources and coming down. We're still way ahead of them. But as I noted, we are bogged down protecting their oil and other things in the Middle East. They don't have to worry about the Middle East.

We also have allies in other parts of the world. We're lucky to have 60-some allies. We're also burdened by our commitments to them.

So when you think about these numbers and these simple comparisons, I think Governor Haley was setting up the more interesting debate, which is do we have a strong enough Navy, do we have a big enough Army for the tasks before us? And there I think you could have quite a conversation.

MR. WESSEL: Molly, the President in the last part of his speech called for better politics. A, what did you think of that pitch? And B, is there any chance that that message makes a difference?

MS. REYNOLDS: Sure. So that actually was going to be my answer to your question about which part of the speech struck me the most. It was a real interesting pivot that he made at the end of the speech from I think what a lot of folks expected. He spent a lot of time talking about his legacy, what he's done in the past seven years, really laying a groundwork for what a Democratic presidential candidate might run on and what

Democratic congressional candidates might run on in the fall. But at the end, he pivots to this conversation that sounds much more like sort of vintage 2008 Obama or even 2004 DNC Convention speech Obama, and so I was very struck by that contrast.

And one of the things that I thought was particularly interesting about that was the way in which he acknowledged one of the biggest criticisms that has been levied against him, which is the idea that he hasn't fixed the way Washington works. And he pointed out that, you know, I can't do this alone. I am one person. I'm the President. The President doesn't have magical powers. Maybe we made some progress, maybe we didn't.

In terms of whether I'm optimistic that anything will come of that in the next year or so, I'm not. I think that we'll see relatively little sort of policymaking activity and I think the conversation will be very dominated by the campaigns, both for President and at the congressional level.

MR. WESSEL: Stuart, the President mentioned Speaker Ryan's commitment to doing something about poverty in America. He actually turned to the Speaker at one point. Did you hear anything there that encourages you to think that there's common ground between Speaker Ryan and President Obama on this front?

MR. BUTLER: I think there are lots of opportunities actually for common ground. Now, if you looked at Speaker Ryan's reaction you might not have drawn that conclusion, but, of course, item one, the first item in the job description of a Republican Speaker is never applaud President Obama, so he'll be forgiven for that. But I think in a lot of areas there are possibilities.

I think in the anti-poverty programs, as you know and maybe the audience knows, Brookings and the American Enterprise Institute, right and left so to speak, have reached agreement on a lot of areas of looking at improving opportunities for employment

and income support and so on. That's also, I think, you're seeing the possibilities of that taking place in legislation across the aisle. I think that's a real possibility. And Speaker Ryan, as you know, has been going around the country for some time really exploring those kinds of opportunities and working. So I think that's a real opportunity.

I think there's also an enormous opportunity to bring on board states in a very positive way and to finesse some of the problems that we face through that. The administration is very supportive of states taking initiative and localities in areas like education and welfare, of course, healthcare to a significant extent. And I think we can build on that in the future. And I think that will allow Republicans to have something of a - - I wouldn't call it necessarily an exit strategy, but a way of dealing with the current situation, that would allow a different kind of healthcare system to evolve in the future, much more decentralized, much different around the country, but with common goals. And I think that's ultimately where we may see the settled healthcare system in the future. And I think that absolutely is a possibility.

MR. WESSEL: So I think you're making two different points. One is there's some rhetorical common ground on questions of poverty and mobility among the left and the right.

MR. BUTLER: I don't think it's just rhetorical, but it certainly includes rhetorical.

MR. WESSEL: Okay. And secondly, the exit strategy for the Affordable Care Act is to have lots of different states doing things slightly differently and then that would give the Republicans a way to say they've gotten rid of the ACA without getting rid of everything in the ACA that is working and is popular.

MR. BUTLER: That's right. I think ultimately that can -- now, the administration has a bit of a mixed record on that. It's certainly encouraged some interesting innovations to the Medicaid program for some time and is encouraging of a lot of things.

On the other hand, there's a major provision of the Affordable Care Act called Section 1332, which gives very significant opportunities for states to reach the same goals in a somewhat different way.

Recently the administration gave guidance on that to states which really reined in the possibilities, which I think is a very bad move, both technically and politically, but that could change in the future. It's still only guidance. But the administration could certainly encourage that in the future.

MR. WESSEL: Great. And Bill, I think there was less about tax reform in this State of the Union than any I've heard in the last few years, which may have something to do with its possibility of happening near-term. Were you struck by anything?

MR. GALE: Well, I think we've done such a good job solving all the tax problems we face that there was just nothing left to fight about. (Laughter) No, tax policy, fiscal policy was definitely the dog that didn't bark in this speech. You know, he reached out to Ryan for the EITC for childless workers. There was stuff about education and pre-K, community college, stuff like that. But that's sort of all old hat. He mentioned raising the minimum wage.

But I thought what was interesting was he approached potentially big changes several times and then stopped short of saying them. So he gave a nice talk about climate change and built up to it, but he stopped short of saying we should have a carbon tax. He gave a good description of the economic insecurity that people face, students, workers, near retirees, retirees, but he didn't really propose anything about economic security.

Several times in both the economics and the politics part of the talk he alluded to the growing concentration of wealth and income at the top, the political power that that represents, but he didn't propose anything to do about it. And I don't know if that

represents a pessimism about anything happening this year or if it's just not what he wanted to emphasize in this speech. The speech was basically about tone and vision and things like that. But definitely there was a lack of specific proposals.

MR. WESSEL: Okay, I'm going to suggest this for going forward because Congressman Price is here and I don't want to waste his time. So I'd like to ask you each one short question, which I will in a minute, then I'm going to ask you to return to the floor. We'll bring Congressman Price up here and when we turn to the Q&A, if you guys have more stuff you want to say or ask him, we'll do that.

But if you were speaking to, say, one of the presidential candidates, regardless of who he or she is or what their politics are, and you wanted them to focus on some one thing about the federal budget, either the substance or the process, what would be at the top of your list? Recognizing that there's probably 10 things on your list, but I want to hear one thing that you think is really important that you think the next President should deal with on the budget.

MS. REYNOLDS: I would say certainly on the process side convincing members of Congress that fixing the budget process does not necessarily mean baking in policy outcomes into the budget process. We can have a budget process that produces what it's supposed to, a budget on time, appropriations bills on time, which Congress has been terrible at doing of late, and that doesn't mean that we automatically get certain partisan outcomes.

MR. WESSEL: Stuart?

MR. BUTLER: They've got to focus on the retirement entitlement programs, on Medicare in particular and Social Security to a lesser degree. And that's really a challenge of trying to balance financial risk, the financial risk of the elderly themselves, the financial risk of taxpayers today, and the long-term financial risk or the risk to the

economy as a whole.

It's not an easy thing to do. The administration's made some important steps in that direction already, but that's the elephant in the room that's got to be tackled in the budget and it's got to be done together. This is exactly an area that one party cannot drive through in that area. We saw this with the Affordable Care Act. It's continuing to be an issue because it wasn't bipartisan, for various reasons, but entitlement reform has definitely got to be done in that way.

MR. WESSEL: Bill?

MR. GALE: Well, I think the overriding issue is the conflict that the policymakers face between dealing with long-term obligations and dealing with the short-term needs. The long-term obligations are long term and they can be dealt with via transitional plans that may take a while to phase in, but there's no reason not to think about creating them and beginning the process of phasing them in now.

At the same time, we don't want to -- the Great Recession and 30 years of income stagnation and widening income distribution has revealed, exposed all sorts of social issues, whether it's education or infrastructure or so on. And I don't think we should be ignoring those needs. We should especially not be ignoring those needs in the name of the long-term debt issue.

MR. WESSEL: Mike?

MR. O'HANLON: I'd like to hear people talk about what I call budgeting for national power. And I think the general accounts within that subject need some modest real increases. It's sort of the flip side of Stuart's point, that we need to avoid seeing entitlements keep growing and squeezing everything else and driving up deficits. Of course, national power includes the military and I think it does need modest increases in real resources above the inflation rate.

But I also think that our long-term economic power and, therefore, military strength depend, as well, on infrastructure, science research and development, education, and a few other categories that are within that broad domestic discretionary bin. But we should really redefine some of them as long-term power, the underpinnings of long-term national power, and try to see if we can't change the optics and the rhetoric a little bit around how we think of those accounts, so we see a little more political support for them.

MR. WESSEL: Sounds like the table of contents of your next book. (Laughter)

MR. O'HANLON: Hopefully with you.

MR. WESSEL: Well, thank you very much. Leave your mics here and, Congressman Price, why don't you come up? Sit here next to me. I won't bite. Thank you all very much for your flexibility.

We're really pleased to have Congressman Tom Price with us today. Congressman Price, he pretends to be from Georgia, but he actually grew up in Dearborn, Michigan, went to the University of Michigan. He was first elected to Congress to represent the 6th District, which is north of Atlanta, a relatively high-income, well-educated district, in November 2004.

I was looking up what happens when you run for reelection and I noticed a pattern. Congressman Price gets generally two-thirds of the votes when he gets reelected except one year, in 2010, where he only got 99.9 percent of the votes because there was no opponent, but 180 people wrote in somebody else. So I guess you don't have to worry about reelection too much.

CONGRESSMAN PRICE: It's a great district to represent, the 6th District of Georgia, northern suburban Atlanta. It's full of all sorts of wonderful people who want the government to stay out of their lives and out of their pocketbooks, and so it's a good fit.

MR. WESSEL: Good. Before he came to Washington, Congressman Price served four terms in the Georgia State Senate. And before that, he was an orthopedic surgeon, 20 years in private practice and later a professor at the Emory Medical School.

As you know, one of the reasons we're so pleased to have him here is that he's the chairman of the House Budget Committee. He succeeded Paul Ryan in that. Who knows whether he'll succeed Paul Ryan in another job? We'll just have to wait and see. (Laughter) In previous Congresses he's been in the leadership serving as the chairman of the Republican Policy Committee and chairman of the Republican Study Committee.

And we've been impressed here at Brookings that he's come and spoken to small groups of us about his major concern about the budget process, and I want to get to that in a minute. But it seems like we can't talk about anything the day after the State of the Union without talking about the State of the Union. So was there any one thing that you said, wow, this guy gets it or, wow, he and I disagree really fundamentally?

CONGRESSMAN PRICE: Well, first let me thank Brookings for the opportunity to be with you. And Brookings does a great, great job in trying to help us become better informed on the issues that -- the challenges, remarkable challenges, that we've got, and so thank you. It's a privilege to be back with you.

I guess the short answer is no. I find myself continually disappointed, no surprise, with this President. When he talks about lofty things, when he uses his wonderful rhetorical talents, you know, you kind of feel warm. He pulls everybody in. And then before he finishes the paragraph, he pulls out the fist and wallops you over the head.

So I thought it was terribly political for a final State of the Union speech. I'm not sure who on the panel said it, but I thought he got up to the point where he thought he

could get and then went no further for, I guess, concern that he would completely alienate everybody, which I think he probably did on our side of the aisle just because of the manner in which he dismisses anybody who disagrees with him. I was terribly disappointed.

MR. WESSEL: And you didn't think that sermon at the end about better politics was serious?

CONGRESSMAN PRICE: It just rings hollow. It just rings hollow. Having tried to work with this administration, especially in the area of healthcare for now six years, seven years, it just rings hollow.

MR. WESSEL: And you think it's all his fault or you think the Republicans --

CONGRESSMAN PRICE: Oh, no, goodness gracious. There's more than enough blame to go around in this town for how you get things working. But it takes a style of leadership that clearly, from our perspective, this President doesn't possess.

MR. WESSEL: And what did you think of Nikki Haley's response?

CONGRESSMAN PRICE: I've been a little under the weather, so I have a terrible admission and that is that I haven't seen it.

MR. WESSEL: Oh, sorry, I should have asked you before.

CONGRESSMAN PRICE: I'm sure it was wonderful. (Laughter)

MR. WESSEL: Well, I admire your candor and not just saying it was wonderful. That sets you apart from some of your colleagues.

I feel an obligation to ask you about the budget process, even though I think it's something that makes some people's eyes glaze over. So I'm wondering if you could explain what exactly is broken in the budget process and why should we care about it since the money seems to flow anyway and in the end you come together with these last-minute deals? What could we do better and how are you going to do it?

CONGRESSMAN PRICE: You may have answered the question with your final statement, and that is that in the end we come together with these last-minute deals. That's not the way one ought to budget. That's not the way you budget in your family. It's not the way the businesses across this great nation budget. It ought not be the way that government budgets.

I will take issue a little bit with what Molly said and that is that the House has done a pretty doggone good job on budgeting, especially over the last five years. We've produced a budget every year. We've produced a budget that from our perspective would balance within a 10-year period of time without raising taxes, saves trillions of dollars, lays out a plan to solve the challenges that we have. We're really excited and proud of the fact that last year for the first time in 14 years the House and the Senate came together to agree to a conferenced budget that does just that and move forward the opportunity for reconciliation, which we can talk about if you like.

However, the first time in 14 years, we'd like to celebrate that, but that's nothing to celebrate. The fact is that every year the people of this great country ought to expect that their Congress, that their Legislative Branch at the federal level, ought to be able to define in a relatively straightforward way and a methodical way, a logical way, and reliable way the budget of this country. And the fact is that we don't do that together.

MR. WESSEL: So how would you change it? We could do it the way the Budget Act works and you could do your 403(b) allocations and all that. Is that what you want to do or do you have something more fundamentally different in mind?

CONGRESSMAN PRICE: No, I think when I sit back -- and I'm an orthopedic surgeon, so I love this stuff because it's the minutia of what you have to do in order to get the right product. When I used to take care of patients I didn't get to the endpoint without doing all the things correct before you got to that endpoint. That's the same thing, the

way I view the budgeting process. The process creates the product or at least a portion thereof.

And so what does that mean? We budget in this country now under a bill that was written, an act that was written 41 years ago, 42 years ago. The world has changed. Not much has changed about the budget process. So I think that the Congressional Budget Office, the entity that informs us about budgeting, could be a lot more transparent, could be a lot more responsive to members of Congress. I think that we tie their hands in some ways through the Budgeting Act, through the manner in which they score to determine how something costs.

From a baseline standpoint, a budget term that says what are you going to measure what you're doing against, I think we oftentimes -- the system is now gamed to result in the wrong answer. And so I'm hopeful that what we're able to do is to do a rewrite of that act and, with a new President in 2017, be able to get that signed into law; a process that will then facilitate, not one party or the other getting their outcome, but facilitate a process that allows things to move forward in a logical, methodical way, in an expeditious way, and allows the work to get done.

MR. WESSEL: Let me pick up on that point you made, which is one that Molly made. So some people think the budget process should be changed so we can shrink the size of government and it should be orchestrated for that.

CONGRESSMAN PRICE: Sure.

MR. WESSEL: You're suggesting something different. It can be policy neutral, a process that could be used by --

CONGRESSMAN PRICE: I think it has to be. I'm all in favor of right-sizing government, which from my perspective, at the federal level, means --

MR. WESSEL: Small, right.

CONGRESSMAN PRICE: -- decreasing the size of the government and decreasing the scope and the reach. But that's not what a budget process ought to do. A budget process ought to afford every single member, every single perspective, the same opportunity to engage and then force the members to get to an outcome, not to an outcome that's predetermined, but to get to an outcome.

MR. WESSEL: And part of the evolution of the federal budget is, of course, a growing percentage of the budget is on autopilot: Social Security, Medicare, and some of the other benefit programs. And you spend a lot of time trying to figure out how to manage the remaining fraction. Does the budget process need to be changed so that you take a more holistic approach, do you think?

CONGRESSMAN PRICE: Absolutely. Right now, as you well know, folks in this room know, that about 40 years ago one-third of the federal budget was mandatory spending, primarily Medicare, Medicaid, and Social Security. Now Medicare, Medicaid, and Social Security and other mandatory programs and interest on the debt comprise about two-thirds of the federal budget, soon to be three-quarters. So when I get asked back home why are there the battles that you have about government spending, about what the federal government spends, it's because the slice of the pie that we control on the discretionary side, the appropriations process, gets smaller and smaller and smaller.

And so whatever it is that your priority is, the American people's priority is on the discretionary side, it's getting squeezed and it's getting squeezed because we are not forced to reform the mandatory spending, the automatic side. And I believe that the system ought to force us to look at it on a repeated basis and make certain that it's doing what we want it to do. Right now the mandatory programs are going broke.

MR. WESSEL: And do you have a plan to -- do you have a political strategy for changing the budget process?

CONGRESSMAN PRICE: Yes. We've been working, at this point, on the Budget Committee to try to gather ideas, to try to get bright people who have worked on this inside and outside of Congress for a long time, to get their input. My goal is after we get through this budget season is to begin the work through the Budget Committee in the House to fashion a piece of legislation that would be a rewrite of the '74 act.

MR. WESSEL: And are the Democrats participating in that?

CONGRESSMAN PRICE: I hope so. I hope so.

MR. WESSEL: So far?

CONGRESSMAN PRICE: Not at this point. They haven't shown a particular interest to look at the broad spectrum of the '74 Budget Act. There's some bipartisan support for certain aspects of it. I'm hopeful that what we'll be able to do is to pull them into the loop and have them assist us in getting to that process reform.

MR. WESSEL: Let me ask you a couple of questions about the substance of the budget. So the budget resolution that you put forward this year, and similar to ones that Congressman Ryan put forward when he was the chairman, have substantial cuts from the baseline in a lot of programs. Some estimates are that if you look at the non-defense cuts that a large part of them, more than half, are in programs that are designed to serve low-income families or lower middle class families. How do you reconcile the Paul Ryans, Jack Kemp, we need to do something about poor people in America and then the budgets seem to provide fewer and fewer federal resources aimed at that part of the population?

CONGRESSMAN PRICE: That's precisely the problem that we were defining before and that is that the mandatory side tends to crowd out with programs that have been defined previously and aren't flexible, aren't responsive to the recipients. So even the programs that are supposed to assist those communities have been in place for such

a period of time or we aren't allowed to touch them because they're on the mandatory side, that the process reform would be wise to bring those into the loop of repeated review.

MR. WESSEL: But do you think that we devote too much of our budget aimed at lower income people and we ought to spend less money there or do you think we ought to spend the same amount of money and do the programs differently or do you think we ought to spend more money?

CONGRESSMAN PRICE: I think defining what kind of resources you have before you define the mission and the goal, it gets you to folly. Again, people don't do that in their lives. Businesses don't do that. The folks who are responsible for states don't necessarily do that.

What we need to do, defense is a classic example. We ought to define the mission and then make certain that the mission is agreed to and accomplishes whatever it is that we as a nation believe ought to occur, and then provide the resources to accomplish that mission. It's one of the primary purposes of the federal government. Right now we seem to have it backwards. We determine how much money we have and then shoehorn the mission into it, and that doesn't work in many, many ways.

What that means, though, is that you've got to prioritize what the federal government does because the federal government does a lot of things that, from our side of the aisle, we would suggest are not appropriate roles for the federal government.

MR. WESSEL: So you can't answer the question whether you think we don't spend enough on defense?

CONGRESSMAN PRICE: I don't think that -- no, I don't think we've looked at that.

MR. WESSEL: But you're going to --

CONGRESSMAN PRICE: I'm sorry, on --

MR. WESSEL: Defense, yes.

CONGRESSMAN PRICE: -- defense. On defense.

MR. WESSEL: On defense. So like you can define the mission --

CONGRESSMAN PRICE: Yes.

MR. WESSEL: -- but you're going to have to do a budget resolution in the next several weeks. We're not going to clarify the mission or how to --

CONGRESSMAN PRICE: As has been described, though, the level that we're spending right now on defense from the folks who know, not the orthopedic surgeons --

MR. WESSEL: Right.

CONGRESSMAN PRICE: -- but the folks who know in the -- who are charged with making certain that the nation is secure and people are protected say we're at the lower ragged edge of where we ought to be.

Remember why this came about. This is a great example, though, of how the budget process has failed and that is that in 2011, we had this grand idea, this bipartisan idea -- in fact, much of it coming from the White House -- that said we needed to save \$2.1 trillion overall over the next 10 years. And the way to do that was to identify \$1.2 trillion immediately and then \$900 billion was going to be found by this super committee. And if they didn't find it out of mandatory spending -- remember that, \$900 billion was supposed to come out of mandatory spending -- and if they didn't find it, then we'd take it out of discretionary spending. So defense spending has decreased remarkably -- remarkably -- over the 10-year period of time because the committee was unable to come to an agreement. That's not a wise way to do the budget.

MR. WESSEL: I agree with that, but I'm asking about the outcomes. Do you think we spend enough on defense or we're going to have to spend more?

CONGRESSMAN PRICE: I think we're at the ragged lower edge.

MR. WESSEL: Okay. Is there anything else you think we should spend more on?

CONGRESSMAN PRICE: I think the process to define that is through the committee process and the like. I think infrastructure has been lacking in terms of the investments that we've made in this country. The city of Atlanta is a classic example. Over the past number of years, the city of Atlanta, and most large cities are like this, the infrastructure -- water and sewer and the like -- is at that age 80 to 100 years old. Well, it wasn't meant to last that long. And so I think infrastructure is one of those areas.

MR. WESSEL: So what's the problem? I mean, it's one of the few things I think there's consensus on in Washington is we ought to spend more on infrastructure, yet that doesn't seem to be something that gets much traction in Congress. Why not?

CONGRESSMAN PRICE: Because in order to identify the level at which that area ought to get spending, you've got to identify areas where we ought to decrease federal involvement. The less slant is by and large to say we need more money for infrastructure and don't worry about everything else. We'll just keep spending at that same level. And that's not, again, the way real people budget. It's not the way businesses budget. It's not the way states budget. You have to prioritize and we do a terrible job in this town prioritizing on what we ought to spend.

MR. WESSEL: Do you have a gut sense of where we ought to spend less?

CONGRESSMAN PRICE: Oh, I think that there's a pretty good debate about all sorts of areas, whether it's in the area of commerce, whether it's in the area of lack of flexibility on education, whether it's -- there are all sorts of areas that we could look at. But --

MR. WESSEL: Do you think we should spend less on education?

CONGRESSMAN PRICE: I think the federal government should be less prescriptive on education and I think in so doing you can save a lot of money. But those are the activities that the committees and people's elected representatives have to work through.

I don't presume to have all of the answers or to know exactly what Congress would do. That's why I'm so excited about Paul Ryan's leadership is because he's not -- he comes from the policy side, so he's not one who wants to game the system for a predetermined outcome. He's happy to let people's representatives work at it and figure it out. And if you follow the process the way it's supposed to be followed, then you'll get to an outcome that will be the consensus of the group.

MR. WESSEL: Let me ask you, before we turn to the audience a couple of questions, about the Affordable Care Act -- which I know you have strong feelings about. So one question I have is can you conceive of some way to achieve the same level of insurance coverage that we have under the ACA with still meeting the criteria of not spending more federal money on this than we did before the ACA? I mean, that seems to be what you say we can do.

CONGRESSMAN PRICE: Oh, absolutely. I have no doubt about it.

MR. WESSEL: But it's been six years since the ACA and we still don't see an alternative plan that's been spelled out by the Republicans.

CONGRESSMAN PRICE: We've had a plan for six years. In fact, we had a plan out there before Obamacare was introduced in its legislative form.

But look what we've done with Obamacare. We've insured 20 million people, supposedly; 12 to 14 million of those were eligible for Medicaid before. Five million of them, just like me, I was on a different plan and I was forced into Obamacare; had insurance before and forced into Obamacare. So you've got somewhere between 3-, 4-,

5 million new people in the program, new people being covered. Now, that's a good thing. Three-, four-, five million new people being covered is a good thing. But you still have 25-, 30 million people out there uninsured. After the amount of money that we spend and the amount of time on this, that doesn't seem like a good deal for the American people in terms of what they've spent.

So H.R. 2300 is the bill that we put forward called the Empowering Patients First Act. I believe it gets every single American covered. Everyone. You don't lack for 30 million folks getting coverage out there because what we provide for is everybody to get covered, but it's coverage that they want for themselves and their family, not that the government forces them to buy.

MR. WESSEL: And this is going to cost the federal government less than?

CONGRESSMAN PRICE: Less, without a doubt.

MR. WESSEL: And what do you think of Stuart's idea that the way we're going to evolve here is that you're never going to get rid of the Affordable Care Act in total because there are parts of it that people like and by the time you get to it, lots of it will be entrenched, and that will evolve into a system where we have a lot more diversity state by state to meet certain goals that are universally held by the government?

CONGRESSMAN PRICE: You know, I think that's a possibility. I would suggest to you that the Affordable Care Act is failing and will continue to fail as we've seen with the co-ops having challenges, the exchanges having challenges. You've got individuals now -- you've got I would suggest to you millions of people right now who have coverage, but no care because of the level of premiums and because of the level of deductibles. If you're making 40-, \$50,000 a year out there, you've got a family of 2 or 3 or 4, and your deductible is \$10,000, which is routine, you don't have any care. None.

When I talked to my former medical colleagues, they tell me that patients are

now coming in, unlike they ever have seen in their practice are coming in, they recommend something to be done and mom or dad says, sorry, we can't do that, we can't afford it because we can't afford the deductible. So those people have been moved out of the system even though they're counted as folks having coverage.

MR. WESSEL: But how can you promise people that they're going to have -- there's going to be less money from the government, they're going to have lower deductibles, they're going to have lower premiums, and they're going to have more care? Isn't that promising something that's just not achievable?

CONGRESSMAN PRICE: No. Your premise of the question presumes that the government's running an efficient program. I would suggest to you that the government's running a terribly inefficient program. In fact, it isn't responsive to the individuals, doesn't provide the kind of flexibility that patients across this land need, is lowering the quality of care, decreasing the access to care, and driving up the costs. That doesn't sound like something that the American people support, which is why you continue to have a majority of the American people that oppose this program. They know in their gut that there's something wrong with this.

So we believe you can get everybody covered, you can solve the insurance challenges, you can save hundreds of billions of dollars if you do it in the right way, the lawsuit abuse reform to end the practice of defensive medicine. And you can do all of that without putting Washington in charge of a doggone thing or raising your taxes by a penny.

MR. WESSEL: Well, it's good work if you can get it. (Laughter)

CONGRESSMAN PRICE: Sign me up, huh?

MR. WESSEL: Do you find that -- I'm sure you can appreciate why people find the promises appealing and are skeptical about that it's going to work the way you say.

CONGRESSMAN PRICE: Yes. So then you get to steward states.

MR. WESSEL: Right.

CONGRESSMAN PRICE: But let's have some pilots. Let's let a state take it on and show what the positive points are. Prove me wrong. I'd love to have that opportunity to have a pilot at a state level put in place these kinds of solutions and let's see what happens. And I have all the confidence in the world that if you allow individuals, patients and families and doctors, to be the ones that are making these decisions and not government, you will move it in a markedly better direction on all principles.

MR. WESSEL: Despite the fact that you seem to get reelected with very healthy margins, as you know, the public holds Congress in general in very low esteem. And when you sit outside Congress but inside the Beltway, it sometimes looks like an awfully frustrating place to work. Do you ever wake up in the morning and say, like, why the hell am I doing this? (Laughter)

CONGRESSMAN PRICE: Look, I'm a Type A surgeon. I'm an orthopedic surgeon. When I was in my professional career, what I did was identify a problem and lay out a path to solve that problem usually that same day. Then usually that afternoon or the next morning solved it.

MR. WESSEL: That doesn't sound like a personality suited to being a member of Congress.

CONGRESSMAN PRICE: Put up the X-ray and said I did it and then move on. And so this took a whole mind shift for me to be able to not become so frustrated that you want to pull your hair out, although I've done a pretty good job of that, as well, over the past 11 or 12 years.

It is a frustrating place, but it's incredibly important. It's incredibly important because the consequences of not getting these things right are massive to the American

people. We believe that the greatest amount of opportunity and success for the greatest number of people so the greatest number of American dreams can be realized in a fair and compassionate system is the principle that we ought to be moving forward. Right now that doesn't exist. And I would suggest to you that one of the big reasons that that doesn't exist is because of the rules, regulations, and laws coming out of this town. So to be able to have the opportunity to fight for appropriate reforms that then free up the opportunity for individuals to realize their dreams is an exciting thing to do.

MR. WESSEL: How do you measure success on that? I mean, when you look over the last 12 months, did you feel like you moved that ball at all?

CONGRESSMAN PRICE: Oh, I think that we moved it from an education standpoint for many folks, but it's glacial.

MR. WESSEL: Yes.

CONGRESSMAN PRICE: It's glacial.

MR. WESSEL: So let's say we wake up after the November elections and there's a chance that the next President will be Hillary Clinton and the next Speaker of the House will continue to be Paul Ryan. If you were sitting down with Speaker Ryan and said to him let's find something that we have a chance of doing with Hillary Clinton, recognizing that we're not going to be able to do it without the President and without at least some Democrats in the Senate, what would be on your list? What is it you think on this budget domestic sphere you can get done? Social Security, tax reform, healthcare, budget process?

CONGRESSMAN PRICE: Well, I wouldn't concede that that's where we're going as a nation.

MR. WESSEL: I didn't ask you to, right. No, it's a hypothetical.

CONGRESSMAN PRICE: I mean, all of my effort is going to be to get a more

positive individual in the White House that is able to move us forward on these items that --

MR. WESSEL: I should know this, but have you identified which one of the Republicans meets that?

CONGRESSMAN PRICE: No, we met with all of their teams to talk about tax and health and budget policy. But if I wake up on that Wednesday after the first Tuesday in November and it hasn't turned out the way that I think the American people would desire, then our responsibility, given that I'm -- knock on wood -- able to get reelected in the 6th District of Georgia --

MR. WESSEL: I'm willing to bet on that.

CONGRESSMAN PRICE: -- that our responsibility is to define those things. The tax policy absolutely needs to be reformed.

MR. WESSEL: Right, I know what the wish list is, but you and Paul Ryan are sitting down saying Hillary Clinton's in the White House. What's something we can actually get done? Is it tax reform?

CONGRESSMAN PRICE: I do, I agree. I believe that.

MR. WESSEL: Is it Social Security?

CONGRESSMAN PRICE: I believe that. I think tax reform is part of it because of the growth rate that we've seen.

MR. WESSEL: Right.

CONGRESSMAN PRICE: And we've seen the average growth rate now be somnambulant basically for the last number of years and going in the wrong direction. The CBO's going to come out next week and my suspicion is that their growth projections for the next 10 years will be hovering around 2 percent. That's 50 percent below where it ought to be for the nation, which means that all those dreams can't be realized.

So Democrats read those same numbers. What we've got to do is find where the sweet spot is, the common ground is, if that were the case to determine where we can do tax reform. Social Security reform is absolutely mandatory. Healthcare, whether it's the ACA or whether it's Medicare or Medicaid, Medicare and Medicaid are going broke, both of them. ACA isn't working for anybody.

MR. WESSEL: All right. But you've started -- yes, we know what the list is. So what would be at the top of your list, tax reform?

CONGRESSMAN PRICE: I think tax reform. You've got to do pro-growth policies, so tax reform, regulatory reform, and then entitlement reform, healthcare reform.

MR. WESSEL: Okay. Let me ask first my colleagues. Bill, Stuart, Molly, Mike, do you want to -- Bill?

MR. GALE: I'll take a crack. Thank you for coming here and speaking with us. I want to broaden the discussion from the Budget committee itself to the budget as a whole. As you know, there's two sides to the budget: taxes and spending. The President talked last night about the two sides working together and, you know, you said those comments kind of rang hollow after all these years.

But I want to raise the issue that something like 80 to 90 percent of Republicans of Congress have signed a pledge not to raise taxes. And the question is how do the two sides talk to each other when one major issue is simply taken off the table? Is that a gulf that can be overcome? Is that a pledge that could be "waived?" How do the parties work with that constraint?

CONGRESSMAN PRICE: Well, it depends how you define raising taxes. From our standpoint, raising taxes is the tax rates that individuals and that businesses see. If you look at the complications of the tax code, as you well know, it's too complex, too internally inconsistent, and confounding for the American people and American business.

So if we were to simplify the tax code and make it fair, flatter, and broader, as the line goes, which is basically supported by the majority of Congress, Republicans and Democrats, and have a constructive discussion and debate on that, then I think we can get to a point where we don't --

MR. WESSEL: Even if it raises revenues in the joint tax CBO context?

CONGRESSMAN PRICE: Well, if you get to appropriate budget process reform, then you may have an opportunity to have it raise a lot of revenue, but not count against you. So I think there are opportunities.

MR. WESSEL: I want to make sure. You're saying that not raising taxes means not raising tax rates, but having a tax reform plan that is not revenue-neutral by conventional scoring, but raises revenues is okay?

CONGRESSMAN PRICE: I think that confining one's -- and we saw this with the Kemp draft. Confining oneself to revenue neutrality and distributional neutrality imprisons you and makes it so that you almost can't get to the right answer.

MR. WESSEL: Alice, do you have -- you don't have to.

SPEAKER: Well, I could. Could you expand a little bit on your thinking about entitlement reform? You've said how important that is and I think everybody would agree with that. But could you expand a little bit on what you mean by entitlement reform and what might come out of a process if it went your way?

CONGRESSMAN PRICE: Yes, the pillars of Medicare, Medicaid, and Social Security I think all need to be addressed. Social Security is the relatively easy one, as you well know. When Social Security started, the age where you began to draw down was 65. The average life expectancy for a male at that time was 62. That's a pretty good deal for the government. The age now of average life expectancy is 76, 78, pushing 80. It's clear that the age of eligibility needs to increase. That's Tom Price talking, that's not

the House Republican Conference talking.

I think that some type of voluntary opportunity for folks to use their own resources from an investment standpoint in things that make much more sense for them than having the government have it provides a significant opportunity for us to both save money and allow greater return for individuals.

Medicare. Medicare's going broke, too. What does that mean? It's important that people appreciate what the consequences of Medicare going broke mean. It means that we as a society will no longer be able to provide the benefits and the services that have been promised -- promised -- to the American people. And yet you've got folks in this town who don't believe that you need to do anything to Medicare, that you just let that happen. I think that's reckless and irresponsible and so we've got to address it.

Now, how do you address it in a way that doesn't make it more oppressive and more prescriptive for folks and allows you to save money? Our program that we've proposed now for multiple years running of premium support that voluntarily would allow individuals to either stay in Medicare or move to a system that's much more responsive and appropriate for them, voluntarily. The CBO has told us that that saves money -- surprise, surprise -- for both the individual and the federal government. So it's possible to do so and it makes it so that you gain significant financial security for the program itself.

Medicaid is a relatively simple one, as well. My own state of Georgia, we have about 1.8 million individuals in the Medicaid system, 1.8 million. Two-thirds of them are healthy moms and kids, healthy moms and kids for whom you could write a check or give cash for every single incident of service that those folks wanted for anything that they wanted. Healthy moms and kids. And you'd save hundreds of millions of dollars instead of the program that we currently have and you'd actually be able to have money, more resources for those who are on the program that are disabled and have higher medical

needs. That's currently illegal, so we've got a system that doesn't work for patients, it doesn't work for docs, it doesn't work for states. So providing much greater flexibility to states to be able to respond to their patient population is the secret there.

MR. WESSEL: Hank? And there's a woman here in the black.

SPEAKER: Congressman Price, good to see you again.

CONGRESSMAN PRICE: Good to see you.

SPEAKER: I'd like to follow up on Alice's question. You referred to the so-called retirement age in Social Security. It was raised by statute in 1983 with a very slow implementation timetable. In fact, however, what is called the increase in the retirement age didn't change in any way the age at which people can actually claim benefits. They can claim at age 62. What it did entirely was lower benefits. So in proposing a further increase in the retirement age, can I infer that you are proposing an across-the-board cut in Social Security benefits for newly entitled people?

CONGRESSMAN PRICE: No. Good try, though.

SPEAKER: Because that's exactly the implication of raising the retirement age.

CONGRESSMAN PRICE: That's the implication, but what that presumes is that the system that's been in place now and that results in about a 1.7 percent return on folks' investment in Social Security, 1.7 percent return annualized over the lifetime of their involvement, is what we need. I would suggest to you that that's not what we need nor is it responsible to the American people or even honest with the American people about what could happen if they were given a much greater opportunity to utilize their resources in a way that's much more responsive to them voluntarily, which is the important term. Nobody ought to be shoved into anything that they don't desire.

MR. WESSEL: But if you're going to keep the existing Social Security system and make it financially viable, there really are only two ways to go: you can increase

revenues by collecting more in taxes or you can decrease benefits from the current promised level. Raising the retirement age is a way -- it saves money for the government, so there's less benefits paid out. Do you think that there's some possibility that the increased revenues can be part of that thing or not?

CONGRESSMAN PRICE: Well, I think potentially, but you forgot a third way and that is to not be imprisoned by the current system.

MR. WESSEL: My question was within the current system, yes.

CONGRESSMAN PRICE: Well, the current system is a massive -- it's destined to go broke, not according to Tom Price, but according to the trustees, as you all well know.

MR. WESSEL: Right.

CONGRESSMAN PRICE: 2033 is the date, 2033 or 2034. That's as far away from here virtually as we were at the Y2K. Everybody remembers that, almost everybody in this room remembers that.

MR. WESSEL: Be careful. I've learned that's a dangerous thing to say, you know. There are people in this room who were in sixth grade then. (Laughter)

CONGRESSMAN PRICE: But it's not that far away.

MR. WESSEL: Right.

CONGRESSMAN PRICE: And the key to all of this, as Hank and everybody knows, is that if we put in place the solutions now, the positive solutions now, then you can actually do so in a way that allows those who are currently in the system not to see fewer benefits. If you wait, if you get to 2032, then, bam -- or before, you got to hit current retirees.

MR. WESSEL: Right. Question here? Stand up and tell us who you are.

MS. BOVAT: My name is Sharon Bovat. I'm voice of a moderate and I have a

question about a Band-Aid in reference to the Affordable Care Act. I've gone and I've heard you speak before. I represent women and moderate voters.

My situation is perfect. Income of about \$60,000 a year. With the Affordable Care Act when my divorce is final I will spending between \$20,000 and \$25,000 a year on healthcare if I want to keep my doctors and with medications. Since I'm 50 years old there's no alternative, but a quick Band-Aid would be to have women that are divorced or when they're -- that can keep their spouse's insurance if they've been married over 10 or 15 years or more. I've talked to some members of the Congress and they think it's great, that we need some Band-Aids until a long-term solution happens.

So I write about this, but I'm also curious, are there any Band-Aids they're looking at right now? I need about a month if you can hurry. Thank you.

CONGRESSMAN PRICE: It's a great question, but you need to hear the premise to the question here. This is an individual in the Obamacare system whose life is being destroyed financially not because people have forgotten how to take care of patients, not because insurance companies have forgotten how to provide coverage, but because of the rules of Obamacare. We ought to be embarrassed as a nation that that's what's occurring here.

So I think there are some Band-Aids. One of the quick things that could be done is something that we call individual health pools. Obamacare has destroyed the individual and small group market, destroyed it, which is why you're in the boat that you're in. If we were to allow anybody in the individual and small group markets, about 18 million people in this country, anybody in that market to pool together with anybody else in that market all across the country, so you get the purchasing power of millions so that you revive the individual and small group market, then, in fact, you are able to provide appropriate coverage for individuals at a rate that you're able to afford. Cost

comes down rapidly -- rapidly -- and you're able to provide much more flexibility to the kind of program that you have.

So yes, I think there are, but I'm happy to look at that. Is that a bill?

MS. BOVAT: It's (inaudible).

CONGRESSMAN PRICE: Good. Good.

MR. WESSEL: The woman on the aisle here.

MS. DELLO: Hi. My name is Barbara Dello and I'm a retired nurse. There is much concern in D.C. about the dollar cost of caring for our frail and elderly. Shouldn't this care be one of the most important priorities for our tax dollars? And what percentage of federal and state dollars spent on this type of care goes directly to the patients and their care and the needy and what percent goes to implementation of programs and bureaucracy?

CONGRESSMAN PRICE: Well, you probably know the answer to that. I don't know off the top of my head. But I will tell you that this is another area where we are seeing a huge tragedy out there in the real world, the area of durable medical equipment providing services to seniors across this land. Seniors are being limited in what they're able to receive in durable medical equipment. And what does that mean? It's not just crutches and braces. It's oxygen, it's things that keep people alive. And the federal government because of their rules now is limiting the access of individual seniors to life-saving needs that they have just because of their rules. Again, not because the mom-and-pop store on the corner forgot how to provide the oxygen for the individual who's needing it, but now that mom-and-pop is going out of business because the federal government has come in and said unless you can comply with X, Y, Z, which is impossible, then you can't provide services.

This is outrageous what's happening right now in the area of healthcare and

especially in our seniors. And this just portends what's going to happen in the Medicare system itself because of the baby boomers, my generation, as we enter the system 10,000 individuals every single day becoming eligible.

So the secret is to allow individuals the flexibility to be able to use those resources for something that may likely be much more responsive to them and respond to their needs in a much better way. And you've got to remember that the path that we're on right now is unworkable. It just doesn't work.

MR. WESSEL: Is it really fair to suggest to people that we could change the system and you can get everything you want and it's going to cost the federal government less money?

CONGRESSMAN PRICE: "Everything you want" is probably the phrase that has to be changed, but I think that it is fair and I believe it's honest and sincere for those of us who believe we can save money for the federal government and save money for individuals and have a more flexible, responsive, quality system for folks to be able to access.

MR. WESSEL: There's one question here. Wait for the mic.

MR. CLARK: Yes, I'm Charlie Clark, a reporter with Government Executive.

CONGRESSMAN PRICE: Hi, Charlie

MR. CLARK: I'm just wondering whether during the budget resolution preparation and during the appropriations bills whether the Republican lawmakers talk about the fact that the President will veto something that he doesn't like, and I just wonder if they factor that in. And, of course, they know he's capable of it, but whether they set the numbers knowing that might happen.

CONGRESSMAN PRICE: Yes, the budget resolution is good news because the budget resolution doesn't go to the President's desk, so we don't have to have the

President opine as to whether or not he thinks our budget is a wise idea. That's an internal congressional document.

In terms of the specific numbers, I think the numbers from a discretionary standpoint have been agreed to for Fiscal Year 2017. So I think we're at a point where now we've got to -- the Appropriations Committee's responsibility is to fill in where those resources go.

MR. CLARK: But in the past, I mean.

MR. WESSEL: But look at the ACA vote. Everybody knew it was going to be vetoed. You did it to make a point, right?

CONGRESSMAN PRICE: And to allow senators who've never had an opportunity to move that forward to have a vote and to put it on the President's desk. The American people now know without doubt that if one individual in this town were changed we could repeal the Affordable Care Act. We could repeal Obamacare and replace it with something else, something much better that's more responsive to their needs.

MR. WESSEL: Do you think the budget resolution should be signed by the President, should go to the President, so you can have --

CONGRESSMAN PRICE: No. No. I'm not one of those who believes it ought to be law. I know that there are some in this room who may believe that. I'm of the belief that the budget resolution is extremely important and we need to strengthen it within the congressional, the Legislative Branch, and make it so that it has greater forcefulness and ability to restrain spending.

MR. WESSEL: Okay. Well, I look at this as the beginning of a conversation, not the end. We hope you'll come back. I'm looking forward to seeing budget process reform in practice and understanding better how this healthcare miracle you're promising

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is going to work out.

CONGRESSMAN PRICE: H.R. 2300.

MR. WESSEL: Okay. We really appreciate your time and your candor. I know it's a busy time of year for you, so please join me in thanking the congressman.

CONGRESSMAN PRICE: Thank you very much, appreciate it. (Applause)

MR. WESSEL: Thank you.

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