

## **Obama now focusing on health care, cutting deficit**

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WASHINGTON - After focusing his first month on the economic mess he inherited, President Barack Obama now starts rolling out his own far-reaching agenda with a summit on fiscal policy, his first speech to Congress and the unveiling of his budget for 2010.

This coming week will mark a turning point from what Obama felt compelled to do, to what he wants to do. It also may test how much spending, change and ambition the American people and their elected officials can stomach in a short time.

On Monday, Obama will try to snap Washington's collective mind-set back to fiscal restraint, just days after signing a record-breaking spending plan to stimulate the moribund economy. His afternoon-long "fiscal responsibility summit" at the White House is bound to set off sparks.

Come Thursday, he will send Congress highlights of his budget request. One administration official says it will disclose that Obama plans to cut the federal deficit in half by the end of his first term, mostly by scaling back Iraq war spending, raising taxes on the wealthiest and streamlining government. Liberals worry that renewed attention to long-term deficits will stall their progressive agenda, which they don't feel should suffer because of transgressions by banks, mortgage lenders and automakers. Some worry that Social Security is being unfairly lumped with Medicare's more serious financial problems, and they are determined to squelch any hints of curbing benefits in the retirement program.

Conservatives worry congressional Democrats will live up to their reputation as free-spenders who ignore calls for restraint, sending the already soaring deficit into the stratosphere.

The debate resonates, albeit less publicly, in the White House, too. The heart of Obama's economic team - Treasury Secretary Timothy Geithner and chief economic adviser Lawrence Summers - are deficit-wary economists. They are now central to the tug-of-war in the administration and Congress over Obama's grand vision and his team's fiscal pragmatism.

Perhaps a bigger question is how much energy and credulity are left in a political world rocked by stunningly expensive plans to shore up Wall Street, the housing industry and auto manufacturers.

"If you are going to the country with hundreds of billions (of dollars) of fiscal stimulus, and hundreds of billions of financial-sector rescue, and now more for mortgages and more for the auto industry, it becomes very difficult for them to say, 'And now for my real agenda: Health care expansion for hundreds of billions of dollars,'" said Robert Bixby, executive director of the bipartisan fiscal watchdog group Concord Coalition.

"At that point the political system just chokes up," he said. Obama is pressing on with at least two other high-profile events this week. He will describe many of his plans before a joint session of Congress on Tuesday night. On Thursday, he presents his 2010 budget highlights. Ken Baer, a spokesman for the White House Office of Budget and Management, defended the series of initiatives.

"When the house is on fire," he said, "you can't say 'I want to take a long coffee break.'"

Discussions of health care policy will be prominent all week even though Obama has yet to announce a replacement for Tom Daschle, his first choice for health secretary. The former Senate majority leader withdrew after disclosure of income tax problems.

Obama campaigned on promises to reduce health care costs, rein in prescription drug prices, modernize medical record-keeping and improve medical treatment and efficiency.

The newly enacted \$787 billion stimulus bill includes \$19 billion to convert medical records to electronic forms, and \$1.1 billion for research comparing which treatments work best for a particular disease.

The "comparative effectiveness" bid has stirred opposition from some Republicans and medical professionals who say it could lead to government rationing of health care.

The drug manufacturing industry is battling Obama's plan to let the government negotiate lower prescription drug prices for Medicare. The entire medical industry is warily watching his efforts to lower overall health care costs.

That effort is directly tied to the main subject of Monday's summit: addressing the long-term fiscal health of Social Security, Medicare and Medicaid, the nation's increasingly expensive entitlement programs. Obama has said Medicare and Medicaid cannot be fixed without curbing the costs of all U.S. medical care, for the rich, poor, old and young.

Liberal economists embrace the point. They reject the notion that the country faces a crisis in Social Security and Medicare because of an aging baby boom generation.

In congressional testimony last year, Peter Orszag, now Obama's budget director, said the demographic changes facing Social Security and the fate of then-President George W. Bush's tax cuts "pale by comparison over the long term with the impact and challenges of containing growth in the cost of federal health insurance programs."

Perhaps complicating his efforts, Obama has pledged a more honest budget process, which immediately will make the 10-year deficit look about \$2.6 trillion larger than it would have otherwise. For instance, he is dropping the pretense that the government will receive huge revenues from the Alternative Minimum Tax, which everyone in Washington knows will be suspended.

"For many years, we've used tricks and gimmicks to mask the size of our irresponsibility," White House press secretary Robert Gibbs said Friday. Facing such eye-popping deficit numbers and the massive federal spending already gushing from the stimulus and bailout bills, people may need to catch their breath and survey Obama's plans with a cooler, calmer gaze.

"A certain passage of time is going to be necessary now before the political climate catches up with the economic environment," said James Galbraith, an economist at the University of Texas at Austin. "We just made what seems to many people to be a very large investment in reviving the economy." Nonetheless, he said, the stimulus package probably will be too small to deal with the economy's rapid decline.

"If that's the case," Galbraith said, "there will be time to move larger measures that require more imagination and more initiative."

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On the Net:

White House: <http://www.whitehouse.gov/agenda/>

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Associated Press Writer Liz Sidoti contributed to this report.

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