



Cavarocchi-Ruscio-Dennis Associates

Health Policy Report

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**SPECIAL REPORT: An Analysis of the
Mid-Term Elections**

The Republican sweep to power that felled dozens of Democratic incumbents and won the party 60 seats in the House—their largest majority since the Truman administration—and six seats in the Senate wholly altered the political dynamic of the next Congress.

This wave election looked remarkably similar to that which carried President Obama into office in 2008. Just 25 percent of the electorate approve of the job Congress is doing, up just a single point from 2008; 87 percent said they are worried about economic conditions, virtually the same percentage as expressed concern two years ago.

A divided Congress, with Democrats narrowly controlling the Senate and Republicans winning control of the House, means both parties are now on the hook to create jobs and improve the economy. For Democrats that would seem to mean trying a new direction, since 65 percent of voters told exit pollsters they believe the stimulus package has either hurt the economy or had no impact. For Republicans it means proving they can be trusted to take on more responsibility.

Democrats have more at stake because if they are unable to turn the economy around, they risk losing not only the White House, but also the Senate, where a total of 21 Democrats are up for reelection in 2012, including six red-state Democrats.

If Republicans fail to produce solutions, their overwhelming majority in the House could be called to task by the voters. There, presumptive House Speaker John Boehner (R-OH) faces a delicate balancing act. The freshman class that will make up the 112th Congress is unusually large and heavily weighted with individuals who campaigned on fundamentally changing the size and reach of the federal government. Boehner's job is further complicated by Senate Minority Leader Mitch McConnell (R-KY), who, without a majority of his own, has no incentive to help move legislation that could hand a victory to President Obama in 2012.

Whither the electorate?

Two very distinct trends converged on election night to give Republicans the largest midterm gains either party has seen since 1938.

Younger Americans and minorities, two bulwarks in President Obama's race, failed to show up at the polling place in anywhere near the numbers they did two years ago. Young voters, for example, accounted for 11 percent of the ballots, down from 18 percent two years ago; minority voters dropped from 26 percent to 22 percent. Among those voters who did show up, a high proportion of white voters, particularly independents, seniors and blue-collar workers, marked their ballots for Republicans.

Seniors, who made up one-sixth of voters in 2008, accounted for 22 percent in this year's mid-term elections—their largest share since 1992. Nearly three-fifths of them backed Republican House candidates.

Two years ago, Democrats outnumbered Republicans by 40 to 33 percent. This year, Republicans equaled Democrats as a share of all voters.

One pundit described the vote as having the feel of a sporting event, where individual candidates were judged not by the name on their jersey, but the color of their uniform.

The casualties and the changes

Following the pattern set by the last two elections, the biggest losers were party moderates. In this election cycle nearly half of the Democrats' Blue Dog Coalition was wiped out. Indeed, two of the three Blue Dog co-chairs—Reps. Stephanie Herseth Sandlin (D-SD) and Baron Hill (D-IN)—were among the defeated.

But the election's blast reached well beyond rank-and-file members to include three veteran committee chairmen: Ike Skelton (D-MO), Armed Services, John Spratt (D-SC), Budget Committee and Jim Oberstar (D-MN), Transportation and Infrastructure.

The election results now open the way for another round of musical chairs as senior House Republicans prepare to take the gavel on several key congressional committees. While most chairman positions will be filled without much controversy, at least nominal fights are possible for two of the four exclusive committees—Appropriations and Energy and Commerce.

Rep. Joe Barton (R-TX) is seeking a waiver from his party's term limit rules in order to reclaim his chairmanship of Energy and Commerce. He may have a tough fight because many members of his caucus are still angry about his apology to BP officials during a hearing on the Deepwater Horizon oil rig explosion. If he fails to receive a waiver, Reps. Fred Upton (R-MI) and John Shimkus (R-IL) will be vying for the top spot.

In the meantime, a fight is brewing over the Appropriations chair. Rep. Jerry Lewis (R-CA) is seeking a waiver from term limits so that he can lead the committee in the new Congress. But Rep. Hal Rogers (R-KY) claims he has the votes on the Republican steering committee to assume the chairmanship. On the Democratic side, Rep. Norman Dicks (D-WA) will assume the ranking slot, taking the place of Rep. David Obey (D-WI), who is retiring.

In the Senate, where Democrats managed to retain their majority, committee chairs and ranking members will generally remain the same, except where retirements occurred. Senator Jeff Sessions (R-AL), for example, is expected to become ranking member of the Budget committee, Senator Grassley (R-IA) will become ranking on the Judiciary committee and Senator Orrin Hatch (R-UT) will assume the top GOP slot on the Finance committee.

The road ahead

Congress will return for a lame duck session the week of November 15, but beyond that the picture is murky.

For the tenth consecutive year, Congress was unable to finish work on annual appropriations bills. None of the FY2011 spending bills were cleared prior to the start of the federal fiscal year on October 1, forcing lawmakers to pass a continuing resolution that would hold programs to their FY2010 spending levels.

Among the issues yet to be resolved is funding for SGIM priorities, including primary care training and research at the National Institutes of Health (NIH), the Department of Veterans Affairs (DVA), and the Agency for Healthcare Research and Quality (AHRQ).

For the past several weeks, House and Senate Appropriations committee staff has been meeting in an effort to resolve differences over the 12 appropriations bills necessary to keep the government running. Democratic leaders say their goal is to pass an omnibus appropriations bill before the end

of the year. Senate Minority Leader McConnell recently voiced hope that the spending bills would be completed this year as well. But House Republicans have said they would oppose passage of any spending bills until the new Republican majority is sworn in next January. Several have said they want the opportunity to dramatically reduce funding back to 2008 levels.

In the meantime, the bipartisan National Commission on Fiscal Responsibility and Reform that President Obama created earlier this year is due to submit its long-term deficit reduction plan December 1—two days before the continuing resolution expires and about the same time lawmakers must make some tough decisions on the 2001 and 2003 tax cuts that will expire December 31, unless Congress acts. While some question whether the commission members can reach a consensus, its working groups have completed their study of assigned issues and plan to work toward recommendations over the coming weeks.

On November 10, the co-chairs of the panel—Erskine Bowles and former Senator Alan Simpson (R-WY)—proposed a sweeping collection of spending cuts and tax increases. While it does not constitute the panel's official recommendations, their proposal seems intended to get the panel's 16 other members to break away from traditional Republican and Democratic ideologies. Among other things, the package call for significant reductions in future Social Security benefits and a comprehensive tax overhaul that would raise tax revenues to the tune of \$80 billion a year in 2015 and \$160 billion a year by 2020.

The plan also calls for slashing discretionary spending, including defense, by \$184 billion by 2015, a move that would seriously set back primary care training and research programs. "Mandatory" spending, from Social Security and Medicare to certain farm subsidy programs, would be cut by \$78 billion a year in 2015 and more after that.

President Obama will meet with congressional leaders on November 18 to discuss the agenda for the lame-duck session, in particular the fate of the Bush tax cuts that expire at the end of this year. Democrats have an incentive to complete action on the issue during the lame-duck session since Republicans will control the House beginning in January.

In addition to the Bush tax cuts, other major items outstanding include the fate of a package of tax extenders; the need for another AMT "patch;" the expiration November 30 of extended unemployment benefits; a short-term extension of the transportation authorization; and legislation preventing a 23 percent cut in Medicare physician reimbursement rates.

Health care reform in the crosshairs

Although the new health care reform law was not on the ballot, the issue featured prominently in many congressional races. As a result, one of the first bills to be introduced when the new Congress convenes in January is likely to call for full repeal of the Affordable Care Act. While there is little chance of passage in a Democratically-controlled Senate, or while President Obama wields the veto pen, the repeal bill will serve as a symbol for the next two years.

In the interim, GOP lawmakers will invoke their authority to review any proposed regulations to implement provisions of the new law; conduct public hearings and investigations; and attempt to block implementation by choking off appropriations.

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