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income above \$400,000.

Mar. 07, 2023



President Joe Biden speaks during the 2023 International Association of Fire Fighters Legislative Conference in Washington, DC, on March 6, 2023. (Saul Loeb/AFP via Getty Images/TNS)

By Justin Sink and Josh Wingrove, Bloomberg News (TNS)

President Joe Biden's budget will propose hiking payroll taxes on Americans making over \$400,000 per year and allowing the government new power to negotiate drug prices as part of an effort the White House says will extend the solvency of a key Medicare program for another quarter century.

“The budget I am releasing this week will make the Medicare trust fund solvent

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reserves through some \$200 billion in prescription drug reforms over the next decade by allowing the insurance program to negotiate costs on more medications and sooner after they come to market.

The Medicare portion of the budget plan was announced by the White House on Tuesday and reported earlier by the Washington Post.

The moves are part of a concerted effort by the White House ahead of looming negotiations over the debt ceiling and government funding, where Republicans vow to seek deep cuts to federal spending.

Biden's plan has little chance of becoming law, especially after Republicans took control of the House of Representatives this year, but the proposal is an important signpost for negotiations over government spending, and offers the president a chance to publicly outline his priorities.

House Speaker Kevin McCarthy has vowed the GOP won't touch Medicare or Social Security, programs that share bipartisan support, particularly among elderly voters. But Democrats, including Biden, have repeatedly highlighted past GOP efforts to overhaul the entitlement programs by reducing eligibility or benefits. Ahead of the budget release, White House officials have challenged McCarthy to specify where he would pursue cuts.

Democrats are hoping Biden's budget, which would reduce the deficit by \$2 trillion over the next 10 years, will provide a political advantage by keeping benefits intact, with higher taxes on the wealthy helping to offset rising costs. Medicare's Hospital Insurance Trust Fund, also known as Part A, pays for hospital stays, nursing facilities, and hospices. It is currently projected to reach insolvency as soon as 2028, according to the most recent Medicare Trustees report.

“This modest increase in Medicare contributions from those with the highest

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The plan would also dedicate the proceeds from a tax created as part of Obamacare—known as the net investment income tax—to the Hospital Insurance Trust Fund. While doing so would not impact the overall federal deficit, since it amounts to diverting an existing revenue stream, the proposal does allow the administration to say it is extending the program's solvency.

Proposed changes to Medicare's ability to negotiate prescription drugs would also benefit seniors on Medicare by lowering their out-of-pocket costs, the White House says. Biden's budget will specifically propose capping the cost of certain generic drugs, like those used to treat hypertension and high cholesterol, to \$2 per prescription per month. The budget also eliminates the fee patients have to pay on up to three mental or behavioral health visits per year.

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