



OCO talking points

- Overseas Contingency Operations (OCO) funding refers to the discretionary funds for the wars in Afghanistan and Iraq and similar activities. Funding levels for OCO are established each year in the Department of Defense Appropriations Bill.
- Because OCO funds are discretionary and subject to annual appropriations, the Congressional Budget Office (CBO) assumes that OCO will be funded at the current year's level for each of the next 10 years when estimating OCO expenditure over the 10-year budget window.
- Even though operations in Iraq and Afghanistan are winding down and are expected to wind down significantly in the coming years, CBO cannot downwardly adjust its estimate for OCO spending over the next 10 years until the next (FY 2013) Defense Appropriations bill is passed. CBO will estimate OCO expenditures over the next 10 years based on the FY 2012 level, which is expected to be somewhat higher than subsequent years. Thus, because of its scoring rules, CBO's estimate of OCO spending over the next 10 years is artificially high.
- OCO is an appropriate offset for eliminating the SGR. CBO scoring conventions require it to unrealistically assume that Medicare physician payments will be cut by approximately \$290 billion over the next 10 years. Members of Congress routinely state that cuts of this magnitude would destroy Medicare and should not be implemented. Bills to temporarily halt the cuts have become routine. Nonetheless, the CBO is required to assume that the cuts will occur because Medicare law requires them to happen absent Congressional intervention. The cost to repeal the SGR actually represents money that has already been spent due to temporary SGR patches passed by Congress that were not fully paid for.
- This is the same offset that was utilized as part of the U.S. House-adopted Budget Resolution, H. CON. RES. 34, to account for more than \$1 trillion in deficit reduction.
- Using the OCO baseline as an offset for the SGR baseline essentially amounts to "cleaning up the books," by eliminating bad fiscal policies and allowing for a more accurate accounting of future government expenditures without increasing the deficit.
- OCO provides a unique and time-limited opportunity to resolve a problem that has been a burden to patients, physicians and Congress. Passing up this opportunity means that Congress will have an even more costly problem to resolve in future years, requiring even more difficult choices.