

Congressional Budget Office  
 Estimated Effects on Direct Spending and Revenues for Health Care Programs  
 of Proposals in the President's 2014 Budget

May 17, 2013

(Billions of dollars, by fiscal year)

2014 2015 2016 2017 2018 2019 2020 2021 2022 2023 2014- 2014-

CHANGES IN DIRECT SPENDING OUTLAYS

**Medicare providers:**

• Freeze Medicare's physician payment rates at 2013 levels (fully interacted)	8.6	13.4	13.1	12.7	12.7	13.8	14.9	15.8	16.9	17.2	60.5	139.1
• Reduce Medicare coverage of bad debts	-0.3	-1.0	-1.9	-2.3	-2.5	-2.7	-2.8	-3.0	-3.2	-3.5	-8.0	-23.3
• Better align GME payments with patient care costs	0	-0.6	-0.7	-0.7	-0.8	-0.8	-0.9	-0.9	-0.9	-1.0	-2.8	-7.3
• Reduce CAH payments to 100 percent of reasonable costs	*	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.2	-0.4	-1.1
• Prohibit CAH designation for facilities that are fewer than 10 miles from the nearest hospital	0	*	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.3	-0.7
• Reduce fraud, waste, and abuse in Medicare	0	*	*	*	*	*	*	*	*	*	*	0.2
• Require prior authorization for advanced imaging	0	0	0	0	0	0	0	0	0	0	0	0
• Align Medicare drug payment policies with Medicaid policies for low-income beneficiaries (a)	0.1	-5.4	-12.8	-15.4	-16.1	-15.8	-16.2	-16.5	-16.4	-19.2	-49.6	-133.7
• Accelerate manufacturer drug rebates to provide relief to Medicare beneficiaries in the coverage gap (a)	0	0.5	0.6	0.4	*	-0.4	-1.0	-1.3	-1.5	-1.5	1.5	-4.4
• Adjust payment updates for certain post-acute care providers	0	-0.7	-1.5	-2.4	-3.4	-4.5	-5.7	-7.0	-8.5	-10.1	-7.9	-43.6
• Equalize payments for certain conditions commonly treated in IRFs and SNFs	0	-0.1	-0.1	-0.1	-0.1	-0.1	-0.2	-0.2	-0.2	-0.2	-0.5	-1.3
• Encourage appropriate use of IRFs	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.4	-1.0
• Adjust SNF payments to reduce hospital readmissions	0	0	0	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.3	-1.3
• Implement bundled post-acute care payment	0	0	0	0	-0.3	-0.6	-1.0	-1.1	-1.2	-1.3	-0.3	-5.5
• Exclude certain services from the in-office ancillary services exception	0	-0.1	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.3	-0.7	-1.8
• Reduce overpayment of Part B drugs	0	-0.2	-0.3	-0.4	-0.4	-0.4	-0.4	-0.5	-0.5	-0.5	-1.3	-3.6
• Modernize payments for clinical laboratory services	0	0	-0.1	-0.3	-0.5	-0.8	-1.0	-1.3	-1.6	-2.0	-0.9	-7.6
• Expand sharing Medicare data with qualified entities	0	0	0	0	0	0	0	0	0	0	0	0
• Clarify the Medicare fraction in the DSH statute	0	0	0	0	0	0	0	0	0	0	0	0
• Increase the minimum MA coding intensity adjustment	0	-0.2	-0.4	-0.7	-0.9	-1.1	-1.2	-1.2	-1.5	-1.4	-2.1	-8.6
• Align employer group waiver plan payments with average MA plan bids	0	-0.4	-0.6	-0.6	-0.5	-0.6	-0.7	-0.7	-0.8	-0.8	-2.1	-5.8

**Medicare structural reforms:**

• Increase income-related premium under Medicare Parts B and D	0	0	0	-2.4	-3.7	-4.3	-7.8	-10.4	-12.6	-15.1	-6.1	-56.3
• Modify Part B deductible for new enrollees	0	0	0	*	-0.1	-0.2	-0.4	-0.6	-0.9	-1.1	-0.1	-3.3
• Introduce home health co-payments for new beneficiaries	0	0	0	*	*	-0.1	-0.1	-0.1	-0.2	-0.2	*	-0.7
• Introduce a Part B premium surcharge for new beneficiaries who purchase near first-dollar Medigap coverage	0	0	0	*	-0.2	-0.3	-0.5	-0.7	-0.7	-0.8	-0.2	-3.2
• Encourage the use of generic drugs by low-income beneficiaries (a)	0	-1.9	-3.0	-2.9	-2.7	-3.2	-3.5	-3.7	-4.3	-4.1	-10.5	-29.3
• Strengthen IPAB to reduce long-term drivers of Medicare cost growth	included in IPAB interaction (below)											

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	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2014- 2018	2014- 2023
<b>Medicaid:</b>												
• Limit Medicaid reimbursement of DME based on Medicare rates	-0.1	-0.1	-0.2	-0.3	-0.4	-0.4	-0.5	-0.5	-0.6	-0.6	-1.1	-3.7
• Rebase future Medicaid DSH allotments	0	0	0	0	0	0	0	0	0	-4.3	0	-4.3
• Begin ACA Medicaid DSH reductions in FY 2015	0.5	-0.2	-0.3	0	0	0	0	0	0	0	0	0
• Reduce fraud, waste and abuse in Medicaid	*	-0.1	-0.1	-0.1	-0.1	-0.1	-0.2	-0.2	-0.2	-0.2	-0.5	-1.4
• Improve Medicaid drug rebate and payment policies	-0.5	-1.0	-1.0	-1.1	-1.1	-1.1	-1.1	-1.1	-1.1	-1.1	-4.7	-10.2
• Expand state flexibility to provide benchmark benefit packages	0	0	0	0	0	0	0	0	0	0	0	0
• Extend the QI program through CY 2014	0.6	0.2	*	*	*	*	*	*	*	*	0.9	0.9
• Extend the TMA program through CY 2014 (a)	0.1	0.4	*	*	0	0	0	0	0	0	0.5	0.5
<b>Other pharmaceutical savings:</b>												
• Prohibit certain patent settlement agreements between drug companies (a, b)												
On-budget	*	-0.3	-0.5	-0.5	-0.4	-0.4	-0.5	-0.5	-0.6	-0.6	-1.8	-4.4
Off-budget	0	*	*	*	*	*	*	*	*	*	*	*
• Change payment formula for biosimilars under Part B and modify exclusivity available under approval pathway (a, b)												
On-budget	0	*	*	-0.1	-0.2	-0.3	-0.4	-0.5	-0.6	-0.6	-0.4	-2.7
Off-budget	0	*	*	*	*	*	*	*	*	*	*	*
<b>Medicare-Medicaid enrollees:</b>												
• Ensure retroactive Part D coverage of newly-eligible low-income beneficiaries	0	0	0	0	0	0	0	0	0	0	0	0
• Integrate appeals process for Medicare-Medicaid enrollees	0	0	0	0	0	0	0	0	0	0	0	0
<b>Federal Employees Health Benefits Program (FEHBP):</b>												
• Streamline FEHBP pharmacy benefit contracting	0	0	0	0	0	0	0	0	0	0	0	0
• Offer an FEHBP Self+One option and domestic partner benefits												
On-budget	0	-0.1	-0.1	-0.2	-0.2	-0.1	-0.1	-0.1	-0.1	-0.1	-0.5	-1.1
Off-budget	0	*	*	*	*	*	*	*	*	*	-0.1	-0.1
• Expand FEHBP plan types												
On-budget	0	*	*	0.1	0.1	0.2	0.2	0.2	0.3	0.3	0.2	1.4
Off-budget	0	*	*	*	*	0.1	0.1	0.1	0.1	0.1	0.4	0.4
• Adjust FEHBP premiums for wellness	0	0	0	0	0	0	0	0	0	0	0	0
<b>Other health care proposals:</b>												
• Accelerate the issuance of State innovation waivers (a, b)	*	0.6	1.3	0.7	0.4	0.6	0.7	0.7	0.8	0.8	3.2	6.8
• Enact survey and certification revisit fees	0	0	0	0	0	0	0	0	0	0	0	0
• Extend CMS quality measurement	*	*	*	*	0	0	0	0	0	0	0.1	0.1
• Provide administrative resources for implementation	0.1	0.3	0.1	0	0	0	0	0	0	0	0.4	0.4
• Provide dedicated, mandatory funding for HCFA program integrity (c, d, e)	0.5	0.6	0.7	0.7	0.7	0.8	0.8	0.8	0.8	0.8	3.3	7.3
• Early Childhood Home Visiting Program	0	*	0.1	0.4	0.7	1.0	1.4	1.6	1.9	2.3	1.2	9.4

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	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2014- 2018	2014- 2023
<b>Effect on health care programs of proposals in other parts of the Budget:</b>												
• Effect on net Medicare spending for benefits of ending sequestration (fully interacted)	8.0	7.7	8.3	8.5	8.9	9.5	10.2	10.8	4.6	0.0	41.4	76.5
• Use chained CPI-U to update certain indexed factors: Effect on health care programs (fully interacted) (a, b)	0	-0.1	-0.2	-0.3	-0.4	-0.6	-1.1	-1.6	-2.0	-2.4	-1.0	-8.6
• TRICARE enrollment fees and pharmacy copayments (a)	-0.1	-0.2	-0.3	-0.4	-0.5	-0.6	-0.8	-0.9	-1.1	-1.0	-1.4	-5.8
• Tobacco excise tax: Effect on health care programs (a, b, f)	*	-0.1	-0.1	-0.1	-0.2	-0.2	-0.3	-0.4	-0.4	-0.5	-0.5	-2.3
• Establish hold harmless for federal poverty guidelines (a)	*	*	*	*	*	*	*	*	*	*	*	0.1
• Postal Service retiree health benefits: Postal reform interaction	3.1	3.4	3.6	0	0	0	0	0	0	0	10.1	10.1
• Extend SSI time limits for qualified refugees	*	*	0	0	0	0	0	0	0	0	*	*
• Expand and simplify the tax credit provided to qualified small employers for non-elective contributions to employee health insurance (b, g)	*	*	*	*	*	*	*	*	*	*	0.1	0.2
<b>Interactions:</b>												
• MA interaction	0	-0.5	-1.8	-2.3	-2.7	-3.8	-4.7	-5.7	-7.3	-7.9	-7.3	-36.7
• Premium interactions	-0.1	0.4	0.8	1.0	1.3	1.7	2.0	2.4	2.9	3.3	3.4	15.8
• Medicaid interaction	*	*	*	*	*	*	*	*	*	*	*	0.1
• IPAB policy proposal and interaction	0	0	0	0	0	0.6	0.2	0.2	0.2	0.6	0	1.9
<b>Total, Changes in On-Budget Direct Spending</b>	<b>20.6</b>	<b>14.1</b>	<b>2.1</b>	<b>-9.8</b>	<b>-14.1</b>	<b>-16.3</b>	<b>-23.2</b>	<b>-28.7</b>	<b>-41.3</b>	<b>-57.4</b>	<b>13.0</b>	<b>-153.9</b>
<b>Total, Changes in Unified-Budget Direct Spending</b>	<b>20.6</b>	<b>14.1</b>	<b>2.1</b>	<b>-9.8</b>	<b>-14.1</b>	<b>-16.2</b>	<b>-23.2</b>	<b>-28.7</b>	<b>-41.2</b>	<b>-57.3</b>	<b>13.0</b>	<b>-153.6</b>

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CHANGES IN REVENUES (h)

Health care programs:

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2014- 2018	2014- 2023
• Prohibit certain patent settlement agreements between drug companies (a, b)												
On-budget	*	*	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.3	0.6
Off-budget	*	*	*	*	*	*	*	*	*	*	0.1	0.2
• Change payment formula for biosimilars under Part B and modify exclusivity available under approval pathway (a, b)												
On-budget	0	*	*	*	*	*	*	*	*	*	*	0.2
Off-budget	0	*	*	*	*	*	*	*	*	*	*	0.1
• Reduce fraud, waste, and abuse in Medicare: Allow CMPs for providers and suppliers who fail to update enrollment records	0	*	*	*	*	*	*	*	*	*	*	*
• Accelerate the issuance of State innovation waivers (b)	*	0.1	*	-0.2	*	*	*	*	*	-0.1	-0.2	-0.4
• Tobacco excise tax (a, b, f)												
On-budget	*	*	*	*	*	0.1	0.1	0.1	0.1	0.1	0.1	0.6
Off-budget	*	*	*	*	*	*	*	*	*	*	0.1	0.2
• Use chained CPI-U to update certain indexed factors: Effect on health care programs (fully interacted) (a, b)												
On-budget	0	0	0	0	0	*	0.2	0.3	0.6	1.0	0	2.1
Off-budget	0	0	0	0	0	*	*	0.1	0.2	0.3	0	0.6
• Expand and simplify the tax credit provided to qualified small employers for non-elective contributions to employee health insurance (b, g)	-0.2	-0.3	-0.3	-0.2	-0.3	-0.3	-0.3	-0.3	-0.4	-0.4	-1.3	-3.0
<b>Total, Changes in On-Budget Revenues</b>	<b>-0.2</b>	<b>-0.2</b>	<b>-0.2</b>	<b>-0.2</b>	<b>-0.2</b>	<b>-0.1</b>	<b>*</b>	<b>0.2</b>	<b>0.4</b>	<b>0.8</b>	<b>-1.0</b>	<b>0.2</b>
<b>Total, Changes in Unified-Budget Revenues</b>	<b>-0.2</b>	<b>-0.2</b>	<b>-0.2</b>	<b>-0.2</b>	<b>-0.1</b>	<b>*</b>	<b>0.1</b>	<b>0.3</b>	<b>0.6</b>	<b>1.2</b>	<b>-0.8</b>	<b>1.4</b>

NET INCREASE OR DECREASE (-) IN DEFICITS FROM REVENUE AND DIRECT SPENDING

<b>Changes in On-Budget Deficits</b>	<b>20.7</b>	<b>14.3</b>	<b>2.3</b>	<b>-9.5</b>	<b>-13.9</b>	<b>-16.2</b>	<b>-23.2</b>	<b>-28.9</b>	<b>-41.7</b>	<b>-58.2</b>	<b>14.0</b>	<b>-154.1</b>
<b>Total, Changes in Unified-Budget Deficits</b>	<b>20.7</b>	<b>14.3</b>	<b>2.3</b>	<b>-9.6</b>	<b>-13.9</b>	<b>-16.2</b>	<b>-23.3</b>	<b>-29.0</b>	<b>-41.9</b>	<b>-58.5</b>	<b>13.8</b>	<b>-155.0</b>

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Memorandum

**Non-scoreable Effects on Spending for Health Care Programs (non-add):**

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2014-2018	2014-2023
• Provide dedicated, mandatory funding for HCFAC (a, c)	-0.2	-0.3	-0.4	-0.6	-0.5	-0.5	-0.5	-0.5	-0.5	-0.5	-2.1	-4.7
• Reduce fraud, waste, and abuse in Medicare: Retain a portion of RAC recoveries to implement actions that prevent fraud and abuse	0	*	*	*	*	*	*	*	*	*	*	-0.2
• Reduce fraud, waste and abuse in Medicaid: Expand authority of Medicaid Fraud Control Units to review additional care settings	0	*	*	*	*	*	*	*	*	*	*	-0.1
• Effect of increased funding for SSA program integrity (a)	*	0.3	0.6	0.7	0.7	0.9	0.9	1.1	1.3	1.4	2.2	7.7

**Summary of Changes in Direct Spending for Major Health Care Programs:**

• Medicare												
Medicare (excludes chained CPI-U and non-scoreable effects)	17.3	11.3	-0.7	-8.4	-12.2	-14.5	-21.2	-26.3	-38.4	-50.4	7.3	-143.4
Medicare chained CPI-U	0	-0.1	-0.2	-0.3	-0.4	-0.6	-1.0	-1.4	-1.7	-2.0	-1.0	-7.8
• Medicaid (excludes non-scoreable effects)	0.1	-1.0	-1.7	-1.5	-1.7	-1.8	-1.8	-1.8	-1.9	-6.3	-5.9	-19.5
• Health Insurance Exchanges	*	0.5	1.3	0.7	0.4	0.6	0.6	0.7	0.7	0.7	2.9	6.2
• Other health care programs	3.2	3.4	3.4	-0.3	-0.1	*	0.3	0.1	0.1	0.7	9.6	10.8
• Non-scoreable effects	-0.2	-0.1	0.1	*	0.2	0.3	0.4	0.5	0.8	0.8	*	2.8

**Source:**

Congressional Budget Office; staff of the Joint Committee on Taxation.

**Notes:**

Components may not sum to totals because of rounding.

\* = changes in direct spending or revenues that are between \$50 million and -\$50 million.

ACA = Affordable Care Act; CAH = Critical Access Hospital; CMP = Civil Monetary Penalty; CMS = Centers for Medicare & Medicaid Services; CPI-U = Consumer Price Index for All Urban Consumers; CY = Calendar Year; DME = Durable Medical Equipment; DSH = Disproportionate Share Hospital; FEHBP = Federal Employees Health Benefits Program; FY = Fiscal Year; GME = Graduate Medical Education; HCFAC = Health Care Fraud and Abuse Control; IPAB = Independent Payment Advisory Board; IRF = Inpatient Rehabilitation Facility; LIS = Low-income Subsidy; MA = Medicare Advantage; QI = Qualifying Individual; RAC = Recovery Audit Contractor; SSA = Social Security Administration; SSI = Supplemental Security Income; SNF = Skilled Nursing Facility; TMA = Transitional Medical Assistance; TRICARE = the health plan operated by the Department of Defense

- Proposal would affect outlays in multiple programs.
- Proposal would affect both direct spending and revenues. Those effects are shown separately.
- The Administration proposes, as of 2015, to make all funding for HCFAC mandatory. The scoreable effects include only increased direct spending, not a reduction in spending subject to appropriation. The non-scoreable effects reflect the net effects of the increased mandatory funding and the reduction in discretionary funding.
- Nonscoreable effects are shown in Memorandum section.
- The Administration proposes additional mandatory funding for HCFAC in 2013. CBO assumes that, if enacted, there would be no outlays from this budget authority in FY 2013.
- Figures here reflect the effect of the tobacco tax on health programs through improvements to health and longevity. For a complete estimate of the revenues and all associated effects of the change to the excise tax, see JCT Table JCX-11-13 (<https://www.jct.gov/publications.html?func=startdown&id=4520>).
- The tax credit would have net budgetary effects during 2013 that would increase deficits by about \$50 million.
- For revenues, positive numbers indicate a decrease in the deficit and negative numbers indicate an increase in the deficit.