Congressional Budget Office

April 17, 2014

Estimated Effects on Direct Spending and Revenues for Health Care Programs of Proposals in the President's 2015 Budget

(Billions of dollars, by fiscal year)	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2015-2019	2015-2024
CHANGES IN DIRECT SPENDING												
Medicare (a)												
• Prevent reduction in Medicare physician payments	7.1	10.1	11.6	11.2	11.2	12.1	13.3	14.5	15.9	16.6	51.2	123.6
• Reduce Medicare coverage of bad debts	-0.3	-1.3	-2.4	-2.8	-3.1	-3.3	-3.5	-3.9	-4.0	-4.2	-9.8	-28.8
• Better align GME payments with patient care costs	-0.7	-0.8	-0.8	-0.9	-0.9	-1.0	-1.0	-1.1	-1.1	-1.2	-4.0	-9.3
• Reduce CAH payments to 100 percent of reasonable costs	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.2	-0.2	-0.2	-0.2	-0.5	-1.4
• Prohibit CAH designation for facilities less than 10 miles from the nearest hospital	0	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.3	-1.0
• Reduce fraud, waste, and abuse in Medicare	*	*	*	*	*	*	*	*	*	*	*	*
• Align Medicare drug payment policies with Medicaid policies for low-income beneficiaries	0.2	-3.9	-11.4	-13.6	-13.4	-13.6	-13.9	-13.7	-15.0	-17.7	-42.1	-116.0
• Accelerate manufacturer discounts for brand drugs to provide relief in the coverage gap	*	0.2	-0.3	-0.7	-1.5	-2.3	-2.7	-3.2	-3.2	-3.0	-2.2	-16.6
• Suspend coverage and payment for questionable Part D prescriptions and incomplete clinical information	*	*	*	*	*	*	*	*	*	*	*	*
• Establish quality bonus payments for high-performing Part D plans	0	*	*	*	*	*	*	*	*	*	0.1	0.2
• Adjust payment updates for certain post-acute care providers	-0.9	-2.7	-4.0	-5.0	-6.5	-8.1	-9.8	-12.1	-13.3	-14.6	-19.1	-77.0
• 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 by requiring that 75 percent of patients require intensive rehabilitation services	-0.1	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.8	-1.9
• Implement bundled payment for post-acute care	0	0	0	0	-0.3	-0.8	-1.3	-1.5	-1.5	-1.6	-0.3	-6.9
• Exclude certain services from the in-office ancillary services exception	0	-0.3	-0.4	-0.4	-0.4	-0.4	-0.4	-0.4	-0.4	-0.4	-1.5	-3.4
• Modify the documentation requirement for face-to-face encounters for DME claims	0	0	0	0	0	0	0	0	0	0	0	0
• Modify reimbursement of Part B drugs	0	-0.3	-0.4	-0.5	-0.5	-0.6	-0.6	-0.7	-0.7	-0.7	-1.7	-5.0
• Expand sharing of Medicare data with qualified entities	0	0	0	0	0	0	0	0	0	0	0	0
• Clarify the Medicare fraction in the Medicare DSH statute	0	0	0	0	0	0	0	0	0	0	0	0
• Implement value-based purchasing for SNFs, HHAs, ASCs, and HOPDs	0	0	0	0	0	0	0	0	0	0	0	0
• Increase the minimum MA coding intensity adjustment	0	-0.2	-0.5	-0.7	-1.3	-1.9	-2.2	-2.6	-2.6	-2.6	-2.7	-14.5
• Align payments to employer group waiver plans with average MA plan bids	0	-0.5	-0.5	-0.5	-0.6	-0.6	-0.6	-0.7	-0.7	-0.6	-2.1	-5.3
• Increase income-related premium under Medicare Parts B and D	0	0	0	-1.7	-2.6	-5.5	-7.4	-9.0	-10.8	-12.7	-4.3	-49.7
• Modify Part B deductible for new enrollees	0	0	0	-0.1	-0.1	-0.4	-0.5	-0.9	-1.2	-1.2	-0.2	-4.3
• Introduce home health copayments for new enrollees	0	0	0	0	-0.1	-0.1	-0.2	-0.2	-0.2	-0.2	-0.1	-0.9
• Introduce a Part B premium surcharge for new enrollees who purchase near first-dollar Medigap coverage	0	0	0	-0.2	-0.4	-0.6	-0.8	-0.9	-0.9	-0.9	-0.6	-4.5
• Encourage the use of generic drugs by low-income beneficiaries	0	-2.1	-2.5	-2.3	-2.6	-2.7	-2.8	-3.3	-3.1	-2.9	-9.4	-24.2
• Extend the Qualifying Individual program through CY 2015	0.4	0.2	*	*	*	*	*	*	*	*	0.6	0.6
• TRICARE pharmacy interaction	*	0.1	0.1	0.1	0.3	0.3	0.4	0.4	0.2	0.1	0.6	2.0
• Create a competitive, value-based GME grant program funded through the HI trust fund	*	0.2	0.4	0.7	0.6	0.6	0.6	0.7	0.7	0.8	1.9	5.4
• Ensure retroactive Part D coverage for newly eligible low-income beneficiaries	0	0	0	0	0	0	0	0	0	0	0	0

(Acronym definitions are provided under "Notes" on page 5.)

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Estimated Effects on Direct Spending and Revenues for Health Care Programs of Proposals in the President's 2015 Budget

(Billions of dollars, by fiscal year)	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2015-2019	2015-2024
• Medicare effect of canceling automatic spending reductions (Sequestration)	2.4	7.9	8.0	8.3	8.8	9.4	10.0	10.8	15.5	17.2	35.4	98.4
• Strengthen IPAB to reduce long-term drivers of Medicare cost growth and all IPAB interactions with Medicare proposals	0	0	0	0	0	0	0	*	-0.9	-2.0	0	-2.9
Medicaid and CHIP												
• Limit Medicaid reimbursement of DME based on Medicare rates	-0.1	-0.1	-0.2	-0.3	-0.4	-0.4	-0.4	-0.4	-0.5	-0.5	-1.0	-3.1
• Reduce fraud, waste, and abuse in Medicaid	0	*	*	*	*	*	*	*	*	*	0.1	0.2
• Strengthen the Medicaid drug rebate program	-0.4	-0.8	-0.9	-0.9	-0.9	-0.9	-0.9	-0.9	-0.9	-0.9	-3.8	-8.3
• Exclude brand-name and authorized generic drugs prices from Medicaid FUL	*	-0.2	-0.2	-0.2	-0.3	-0.3	-0.3	-0.3	-0.3	-0.4	-1.0	-2.5
• Increase access to and transparency for Medicaid drug pricing data	*	*	*	*	*	0	0	0	0	0	*	*
• Provide home and community-based services to children eligible for psychiatric residential treatment facilities	*	0.1	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.3	0.5	1.7
• Permanently extend Express Lane Eligibility option for children	0	*	*	*	*	*	*	*	*	*	0.1	0.3
• Expand state flexibility to provide benchmark benefit packages	0	0	0	0	0	0	0	0	0	0	0	0
• Extend the Transitional Medical Assistance program through CY 2015	0.2	0.3	*	*	0	0	0	0	0	0	0.5	0.5
• Enforce manufacturer compliance with drug rebate requirements	0	0	0	0	0	0	0	0	0	0	0	0
• Require drugs be electronically listed with FDA to receive Medicaid coverage	0	0	0	0	0	0	0	0	0	0	0	0
• Increase penalties for fraudulent noncompliance on rebate agreements	0	0	0	0	0	0	0	0	0	0	0	0
• Expand and extend the Medicaid primary care payment increase through CY 2015	1.8	0.7	0.4	0.3	0.3	0	0	0	0	0	3.5	3.5
• Extend the CHIP performance bonus fund	0.2	0	0	0	0	0	0	0	0	0	0.2	0.2
• Interactions among Medicaid provisions	*	*	*	*	*	*	*	*	*	*	*	*
Medicare-Medicaid Enrollees:												
• Establish integrated appeals process for Medicare-Medicaid enrollees	0	0	0	0	0	0	0	0	0	0	0	0
• Create pilot to expand PACE eligibility to individuals between ages 21 and 55	0	*	*	*	*	*	0.1	0.1	0.1	0.1	0.1	0.4
State Grants and Demonstrations:												
• Create demonstration to address over-prescription of psychotropic medications for children in foster care	*	0.1	0.2	0.2	0.3	0.2	0.1	*	0	0	0.7	1.0
• Improve and extend the Money Follows the Person demonstration through 2020	0	0	0	0.1	0.2	0.4	0	0	0	0	0.3	0.7

(Acronym definitions are provided under "Notes" on page 5.)

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(Billions of dollars, by fiscal year)	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2015-2019	2015-2024
Other Pharmaceutical Savings:												
• Prohibit certain patent settlement agreements between drug companies (b)	*	-0.4	-0.4	-0.3	-0.4	-0.4	-0.5	-0.5	-0.6	-0.6	-1.6	-4.1
• Modify biosimilar regulatory pathway and change payment formula for certain drugs under Part B (b)	0	*	-0.1	-0.1	-0.3	-0.4	-0.5	-0.5	-0.6	-0.6	-0.5	-3.0
Federal Employees Health Benefits (FEHB) Program:												
• Streamline FEHB pharmacy benefit contracting	0	0	0	0	0	0	0	0	0	0	0	0
• Adjust FEHB premiums for wellness	0	0	0	0	0	0	0	0	0	0	0	0
• Offer domestic partner benefits												
On-budget	*	*	*	*	*	*	*	0.1	0.1	0.1	0.1	0.4
Off-budget (c)	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.4	1.0
• Expand FEHB plan types												
On-budget	0	0	*	*	*	*	*	*	-0.1	-0.1	-0.1	-0.3
Off-budget (c)	0	0	*	*	*	*	*	*	*	*	*	-0.1
Other Health Care Proposals:												
• Accelerate the issuance of state innovation waivers	0.1	1.0	1.4	0.7	0.4	0.6	0.7	0.7	0.7	0.7	3.6	6.9
• Establish survey and certification revisit fees	0	0	0	0	0	0	0	0	0	0	0	0
• Invest in CMS quality measures	*	*	*	*	0	0	0	0	0	0	0.1	0.1
• Extend special diabetes programs at NIH and the IHS	0	0.3	0.3	*	*	*	*	0	0	0	0.6	0.6
• Permit IHS/Tribal/Urban Indian health programs to pay Medicare-like rates for outpatient services funded through the purchased and referred care program	0	0	0	0	0	0	0	0	0	0	0	0
• Extend funding for health centers	0	1.4	2.6	2.7	1.4	0.1	0	0	0	0	8.0	8.1
• Provide dedicated mandatory funding for HCFAC (d)	0.3	0.6	0.7	0.8	0.8	0.8	0.8	0.9	0.9	0.9	3.2	7.5
• Retain a portion of RAC recoveries to implement actions that prevent fraud and abuse (d)	*	*	*	*	*	*	*	*	*	*	0.1	0.2
• Permit exclusion from federal health care programs if affiliated with sanctioned entities	0	0	0	0	0	0	0	0	0	0	0	0
• Strengthen penalties for illegal distribution of beneficiary identification numbers	0	0	0	0	0	0	0	0	0	0	0	0
• Extend and expand Maternal, Infant, and Early Childhood Home Visiting Program	*	*	0.2	0.6	0.9	1.1	1.4	1.6	1.9	2.1	1.7	9.9
• Invest in the National Health Service Corps	0.1	0.3	0.6	0.7	0.7	0.7	0.6	0.3	*	0	2.3	4.0
Effects on Health Care Programs of Non-Health Proposals:												
• Establish hold-harmless for federal poverty guidelines	*	*	*	*	*	*	*	*	*	*	*	0.1
• Postal reform: Postal Service retiree health benefits	3.2	3.4	0	0	0	0	0	0	0	0	6.7	6.7
• Extend SSI time limits for qualified refugees	*	*	0	0	0	0	0	0	0	0	*	*
• Tobacco tax (b)	*	-0.1	-0.1	-0.1	-0.2	-0.2	-0.3	-0.4	-0.4	-0.4	-0.5	-2.2
Total, Changes in On-Budget Direct Spending	**13.6**	**12.8**	**1.2**	**-5.2**	**-11.1**	**-18.1**	**-22.8**	**-27.5**	**-27.2**	**-31.4**	**11.3**	**-115.7**
Total, Changes in Unified-Budget Direct Spending	**13.7**	**12.9**	**1.3**	**-5.2**	**-11.0**	**-18.0**	**-22.7**	**-27.4**	**-27.1**	**-31.3**	**11.7**	**-114.8**

(Acronym definitions are provided under "Notes" on page 5.)

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(Billions of dollars, by fiscal year)	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2015-2019	2015-2024
CHANGES IN REVENUES [e]												
• Accelerate issuance of state innovation waivers	*	0.1	*	-0.1	*	*	*	*	-0.1	-0.1	-0.1	-0.3
• Tobacco tax (b)												
On-Budget	*	*	*	*	*	*	0.1	0.1	0.1	0.1	0.1	0.5
Off-Budget (c)	*	*	*	*	*	*	*	*	*	*	0.1	0.2
• Modify biosimilar regulatory pathway and change payment formula for certain drugs under Part B (b)												
On-Budget	0	0	*	*	*	*	*	*	*	*	*	0.2
Off-Budget (c)	0	0	*	*	*	*	*	*	*	*	*	0.1
• Prohibit certain patent settlement agreements between drug companies (b)												
On-Budget	0	*	*	*	*	*	*	*	*	0.1	0.2	0.4
Off-Budget (c)	0	*	*	*	*	*	*	*	*	*	0.1	0.2
Total, Changes in On-Budget Revenues	*****	**0.1**	*****	**-0.1**	**0.1**	**0.1**	**0.1**	**0.1**	**0.1**	**0.1**	**0.2**	**0.8**
Total, Changes in Unified-Budget Revenues	*****	**0.2**	**0.1**	*****	**0.1**	**0.2**	**0.1**	**0.2**	**0.2**	**0.2**	**0.3**	**1.2**
NET INCREASE OR DECREASE (-) IN DEFICITS FROM CHANGES IN REVENUES AND DIRECT SPENDING [f]												
Changes in On-Budget Deficits	**13.6**	**12.7**	**1.2**	**-5.2**	**-11.2**	**-18.2**	**-22.9**	**-27.6**	**-27.3**	**-31.5**	**11.1**	**-116.4**
Total, Changes in Unified-Budget Deficits	**13.7**	**12.7**	**1.2**	**-5.1**	**-11.1**	**-18.2**	**-22.8**	**-27.5**	**-27.3**	**-31.5**	**11.4**	**-115.9**
Memorandum												
Non-scoreable Effects on Spending for Health Care Programs												
• Provide dedicated mandatory funding for HCFAC	-0.2	-0.4	-0.6	-0.7	-0.7	-0.7	-0.8	-0.8	-0.8	-0.9	-2.6	-6.6
• Provide funding for continuing disability reviews in SSDI	*	*	*	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.2	-0.5
• Retain a portion of RAC recoveries to implement actions that prevent fraud and abuse	*	*	*	*	*	*	*	*	*	*	-0.1	-0.3
• Medicaid Fraud Control Units	*	*	*	*	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.2	-0.5

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(Billions of dollars, by fiscal year)	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2015-2019	2015-2024
Programmatic Totals (g)												
Medicare												
Prevent reduction in Medicare physician payments	7	10	12	11	11	12	13	15	16	17	51	124
Other Medicare proposals	-1	-12	-24	-30	-35	-42	-48	-54	-61	-67	-101	-373
Medicare effect of canceling automatic spending reductions (Sequestration)	2	8	8	8	9	9	10	11	16	17	35	98
Total Medicare	**8**	**6**	**-4**	**-10**	**-14**	**-20**	**-25**	**-29**	**-29**	**-33**	**-14**	**-151**
Total Medicare, excluding Non-Scoreable Effects	**8**	**6**	**-3**	**-9**	**-14**	**-20**	**-24**	**-28**	**-28**	**-33**	**-11**	**-144**
Medicaid												
Total Medicaid	**2**	**0**	**-1**	**-1**	**-1**	**-1**	**-2**	**-2**	**-2**	**-2**	**-1**	**-9**
Total Medicaid, excluding Non-Scoreable Effects	**2**	**0**	**-1**	**-1**	**-1**	**-1**	**-1**	**-1**	**-2**	**-2**	**-1**	**-9**

Sources: CBO; staff of the Joint Committee on Taxation.

Notes:

Estimates are relative to CBO's April 2014 baseline, which incorporates the effects of legislation and administrative actions through April 1, 2014.

Does not include estimates for proposals in the President's budget that involve Medicare payment rates for laboratory services, adjustments to Medicare payments to skilled nursing facilities whose patients are readmitted to hospitals, and Medicaid allotments for disproportionate share hospitals. On April 1, 2014, related provisions were enacted in P.L. 113-93, the Protecting Access to Medicare Act of 2014.

* = changes in direct spending that are between $50 million and -$50 million. Components may not add to totals because of rounding.

ASC = Ambulatory Surgical Center; CAH = Critical Access Hospital; CHIP = Children's Health Insurance Program; CMS = Centers for Medicare & Medicaid Services; CY = Calendar Year; DME = Durable Medical Equipment; DSH = Disproportionate Share Hospital; FDA = Food and Drug Administration; FEHB = Federal Employees Health Benefits; FUL = Federal Upper Limit; GME = Graduate Medical Education; HCFAC = Health Care Fraud and Abuse Control; HI = Hospital Insurance; HHA = Home Health Agency; HOPD = Hospital Outpatient Department; IHS = Indian Health Service; IPAB = Independent Payment Advisory Board; IRF = Inpatient Rehabilitation Facility; MA = Medicare Advantage; NIH = National Institutes of Health; PACE = Program of All-Inclusive Care for the Elderly; RAC = Recovery Audit Contractor ; SNF = Skilled Nursing Facility; SSDI = Social Security Disability Insurance; SSI = Supplemental Security Income; TRICARE = the health plan operated by the Department of Defense.

a. All Medicare provisions include interactions with Medicare Advantage payments, the effect on Medicare Part A and B premiums, and TRICARE.
b. Proposal would affect both direct spending and revenues, which are shown separately.
c. Cash flows of the Postal Service and the Social Security programs are classified as "off-budget."
d. Non-scoreable effects are shown in the Memorandum section.
e. For revenues, positive numbers indicate a decrease in the deficit and negative numbers indicate an increase in the deficit.
f. Positive numbers indicate increases in the deficit, and negative numbers indicate reductions in the deficit.
g. Some of the above policies would affect spending for multiple health care programs. The programmatic totals shown here reflect the combined effect of all proposed changes on federal spending for the Medicare program and for the Medicaid program.