

**CBO Estimate of the Effects of Medicare, Medicaid, and Other Mandatory Health Provisions Included in the President's Budget Request for Fiscal Year 2013**

(Billions of dollars, by fiscal year)

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Total	
											2013-	2013-
											2017	2022
<b>CHANGES IN DIRECT SPENDING</b>												
<b>Current-Policy Adjustment, Medicare</b>												
Freeze payment rates for physicians' services (includes Medicare Advantage and Part B Premium interactions)	11.0	18.4	20.9	23.6	25.8	28.1	31.1	34.3	37.2	40.6	99.7	271.0
<b>Provider Provisions, Medicare</b>												
Adjust payment updates for certain post-acute care providers	0	-0.7	-1.5	-2.4	-3.4	-4.6	-5.9	-7.3	-8.8	-10.5	-8.0	-45.1
Reduce Medicare coverage of patients' bad debts	-0.3	-1.0	-1.8	-2.3	-2.5	-2.7	-2.9	-3.1	-3.3	-3.6	-7.9	-23.6
Reduce indirect medical education payments	0	-0.5	-0.6	-0.6	-0.6	-0.7	-0.7	-0.8	-0.8	-0.8	-2.3	-6.1
Use of Inpatient Rehabilitation Facility (IRF) payment rates limited to facilities in which 75 percent of patients have a qualifying condition	*	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.3	-0.8
Equalize payments for certain conditions treated in Skilled Nursing Facilities (SNFs) and IRFs	0	-0.1	-0.1	-0.1	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.5	-1.4
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	-1.4
Critical Access Hospitals: Reduce payments to 100 percent of reasonable costs	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.2	-0.2	-0.2	-0.5	-1.3
Critical Access Hospitals: Prohibit designation for facilities less than 10 miles from nearest hospital	0	*	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.2	-0.7
Update payment rates to account for utilization of advanced imaging	*	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.4	-0.9
Require prior authorization for advanced imaging	0	0	0	0	0	0	0	0	0	0	0	0
<b>Beneficiary Provisions, Medicare</b>												
Increase income-related premiums under Medicare Parts B and D	0	0	0	0	-1.6	-2.3	-2.7	-5.9	-8.0	-9.7	-1.6	-30.2
Increase Part B deductible for new enrollees	0	0	0	0	*	-0.1	-0.2	-0.4	-0.6	-0.9	*	-2.3
Introduce a Part B premium surcharge for near first-dollar Medigap coverage	0	0	0	0	*	-0.2	-0.3	-0.5	-0.7	-0.8	*	-2.6
Introduce home health co-payments for new beneficiaries	0	0	0	0	*	*	*	*	-0.1	-0.1	*	-0.3
<b>Other Medicare Provisions</b>												
Align Medicare drug payment policies with Medicaid for low-income beneficiaries	0	-5.1	-12.5	-14.7	-15.5	-16.4	-16.6	-17.4	-18.7	-20.5	-47.8	-137.4
Medicare Improvement Fund	0	0	0	0	0	0	0	-0.5	-0.5	-0.5	0	-1.4
Reduce threshold for action by the Independent Payment Advisory Board (IPAB)											Included in estimate of IPAB interaction (below)	
<b>Medicaid Provisions</b>												
Phase down provider tax threshold beginning in 2015	0	0	-2.9	-4.3	-5.8	-6.2	-6.6	-6.9	-7.4	-7.9	-13.0	-47.8
Limit Medicaid payment for durable medical equipment to Medicare rates	*	-0.1	-0.1	-0.2	-0.3	-0.3	-0.4	-0.4	-0.4	-0.5	-0.8	-2.8
Apply single blended matching rate to Medicaid and the Children's Health Insurance Program (CHIP)	0	0	0	0	-3.4	-3.1	-3.1	-2.5	-2.8	-3.0	-3.4	-17.9
Rebase Disproportionate Share Hospital allotments in 2022	0	0	0	0	0	0	0	0	0	-4.2	0	-4.2
Expand state flexibility to provide benchmark benefit packages	0	0	0	0	0	0	0	0	0	0	0	0
Extend Transitional Medical Assistance	0.2	1.1	0.2	0	0	0	0	0	0	0	1.5	1.5
Extend subsidies for Qualifying Individuals	0.7	0.9	0.2	0	0	0	0	0	0	0	1.8	1.8
Establish hold-harmless for federal poverty guidelines	0	0	0	0	0	0	0	0	0	0	0	0
Extend Supplemental Security Income time limits for qualified refugees (Medicaid effect)	*	*	0	0	0	0	0	0	0	0	*	*
Increase in TRICARE out-of-pocket costs (Medicaid effect)	*	*	*	*	*	*	*	*	*	*	*	0.1

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											2013-2017	2013-2022	
<b>Program Integrity Provisions</b>													
<u>Medicare</u>													
Increase scrutiny of providers using high-risk banking arrangements	0	0	0	0	0	0	0	0	0	0	0	0	0
Allow civil monetary penalties for failure to update enrollment records (a)	0	0	0	0	0	0	0	0	0	0	0	0	0
Allow procedures to validate physician orders for high-risk items	0	0	0	0	0	0	0	0	0	0	0	0	0
Require pre-payment or earlier review for power wheelchairs	0	0	0	0	0	0	0	0	0	0	0	0	0
<u>Medicaid</u>													
Strengthen Medicaid third-party liability	*	*	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.3	-0.3	-0.6	-1.8	
Track high prescribers and utilizers of prescription drugs in Medicaid	0	0	0	0	0	0	0	0	0	0	0	0	0
Require manufacturers that improperly report items for Medicaid drug coverage to fully repay States	*	*	*	*	*	*	*	*	*	*	*	*	*
Enforce manufacturer compliance with drug rebate requirements	0	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	0
Require drugs to be electronically listed with the FDA to receive Medicaid coverage	0	0	0	0	0	0	0	0	0	0	0	0	0
Prevent use of federal funds to pay state share of Medicaid or CHIP	0	0	0	0	0	0	0	0	0	0	0	0	0
Consolidate redundant error rate measurement programs	0	0	0	0	0	0	0	0	0	0	0	0	0
<u>Medicare/Medicaid</u>													
Allow the Secretary to retain a portion of Recovery Audit Contractor (RAC) recoveries for anti-fraud activities (b)	0	0	0	*	*	*	*	*	*	*	*	0.1	
Allow permissive exclusion from federal health programs for affiliated entities	0	0	0	0	0	0	0	0	0	0	0	0	0
Impose penalties for fraudulent use of beneficiary IDs	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Other Provisions</b>													
Prohibit certain patent settlement agreements between drug companies (a)	-0.1	-0.2	-0.2	-0.3	-0.4	-0.5	-0.6	-0.6	-0.6	-0.7	-1.2	-4.2	
Change payment formula for biosimilars under Part B and reduce exclusivity period available under approval pathway (a)	0	*	*	-0.1	-0.2	-0.3	-0.4	-0.5	-0.6	-0.7	-0.3	-2.9	
Prioritize Prevention and Public Health Fund investments	Proposal superseded by changes enacted in Public Law 112-96												
Accelerate the issuance of state innovation waivers (a)	0	0.1	0.7	1.2	0.5	0.1	0.4	0.5	0.5	0.5	2.5	4.5	
Expand and simplify the tax credit provided to qualified small employers for nonelective contributions to employee health insurance (a) (c)	*	0.1	0.1	0.1	*	0.1	0.1	0.1	0.1	0.1	0.3	0.7	
Provide funding for implementation	0.1	0.3	0.1	0	0	0	0	0	0	0	0.4	0.4	
Authorize Office of Personnel Management to contract directly with a Pharmacy Benefit Manager for the Federal Employees Health Benefits program	0	0	0	0	0	0	0	0	0	0	0	0	
<b>INTERACTIONS</b>													
Medicare Advantage Interaction	0	-0.6	-0.9	-1.2	-1.2	-1.2	-1.5	-1.7	-1.9	-2.4	-3.9	-12.7	
Premium Interactions	-0.1	*	0.3	0.5	0.6	0.7	0.9	1.1	1.2	1.4	1.4	6.7	
TRICARE Interaction	0.1	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.8	1.9	
IPAB Interaction	0	0	0	0	0	-0.1	0.3	0.1	-0.5	-2.2	0	-2.5	
<b>Total Changes in Direct Spending</b>	<b>11.3</b>	<b>12.5</b>	<b>1.6</b>	<b>-1.4</b>	<b>-8.8</b>	<b>-10.5</b>	<b>-10.0</b>	<b>-13.3</b>	<b>-17.7</b>	<b>-27.2</b>	<b>15.2</b>	<b>-63.5</b>	

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											2013-	2013-
											2017	2022
<b>CHANGES IN REVENUES <sup>(d)</sup></b>												
Accelerate the issuance of state innovation waivers (e)	0	*	*	*	-0.1	*	*	*	*	*	*	0.1
Expand and simplify the tax credit provided to qualified small employers for nonelective contributions to employee health insurance (c) (e)	-0.5	-0.7	-1.1	-0.8	-0.5	-0.7	-0.6	-0.6	-0.7	-0.8	-3.6	-6.9
Prohibit certain patent settlement agreements between drug companies (e)	*	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.3	0.8
Change payment formula for biosimilars under Part B and reduce exclusivity period available under approval pathway (e)	0	*	*	*	*	0.1	0.1	0.1	0.1	0.1	0.1	0.4
Revenue effect of program integrity provisions	*	*	*	*	*	*	*	*	*	*	*	*
<b>Total Changes in Revenues</b>	<b>-0.5</b>	<b>-0.7</b>	<b>-0.9</b>	<b>-0.7</b>	<b>-0.5</b>	<b>-0.5</b>	<b>-0.4</b>	<b>-0.4</b>	<b>-0.5</b>	<b>-0.6</b>	<b>-3.2</b>	<b>-5.6</b>
<b>NET INCREASE OR DECREASE (-) IN DEFICITS FROM REVENUE AND DIRECT SPENDING <sup>(f)</sup></b>												
<b>Total Changes in Deficits</b>	<b>11.8</b>	<b>13.2</b>	<b>2.5</b>	<b>-0.7</b>	<b>-8.3</b>	<b>-10.0</b>	<b>-9.6</b>	<b>-12.9</b>	<b>-17.1</b>	<b>-26.6</b>	<b>18.4</b>	<b>-57.9</b>

**Memorandum:**

**Nonscorable secondary effects from program integrity provisions (c)**

Increased funding for Health Care Fraud and Abuse Control	-0.2	-0.3	-0.4	-0.4	-0.5	-0.5	-0.5	-0.5	-0.5	-0.5	-1.8	-4.3
RAC and Medicare effect of Social Security program integrity	*	*	*	-0.1	-0.1	-0.1	-0.2	-0.2	-0.2	-0.2	-0.3	-1.2
Medicaid effect of Social Security program integrity	*	*	*	*	*	*	*	*	*	*	*	*
Total, nonscorable secondary effects	-0.2	-0.3	-0.5	-0.5	-0.6	-0.6	-0.7	-0.7	-0.7	-0.7	-2.1	-5.5

**Effect on Medicare spending for benefits of the President's proposal to eliminate automatic spending reductions (g)**

	4.0	7.6	8.1	8.8	9.3	9.9	10.7	11.4	12.1	5.8	37.9	87.8
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**Medicare Totals**

Freeze payment rates for physicians' services	11.0	18.4	20.9	23.6	25.8	28.1	31.1	34.3	37.2	40.6	99.7	271.0
Other changes to Medicare (including nonscorable effects of program integrity provisions)	<u>-0.3</u>	<u>-7.8</u>	<u>-17.9</u>	<u>-22.3</u>	<u>-26.2</u>	<u>-29.8</u>	<u>-32.4</u>	<u>-39.3</u>	<u>-45.9</u>	<u>-54.0</u>	<u>-74.5</u>	<u>-275.8</u>
Subtotal Medicare	10.7	10.6	3.1	1.3	-0.4	-1.8	-1.2	-5.0	-8.7	-13.4	25.2	-4.8
Medicare effect of eliminating automatic spending reductions (g)	<u>4.0</u>	<u>7.6</u>	<u>8.1</u>	<u>8.8</u>	<u>9.3</u>	<u>9.9</u>	<u>10.7</u>	<u>11.4</u>	<u>12.1</u>	<u>5.8</u>	<u>37.9</u>	<u>87.8</u>
Total Changes in Direct Spending for Medicare	14.8	18.3	11.2	10.0	8.9	8.2	9.4	6.4	3.5	-7.5	63.1	83.0

**Sources:** Congressional Budget Office and the 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.

CHIP = Children's Health Insurance Program; FDA = Food and Drug Administration; IPAB = Independent Payment Advisory Board; RAC = Recovery Audit Contractor; TRICARE = the health plan operated by the Department of Defense.

- (a) Proposal would affect both direct spending and revenues; those changes are shown separately.
- (b) Nonscorable effects are shown in the Memorandum section.
- (c) The tax credit and certain program integrity provisions would have budgetary effects during 2012. The net effect of those provisions would increase deficits by \$0.2 billion in 2012.
- (d) For revenues, positive numbers indicate a decrease in the deficit and negative numbers indicate an increase in the deficit.
- (e) Provisions have both on- and off-budget effects, unified-budget effects are shown here.
- (f) Positive numbers indicate an increase in the deficit and negative numbers indicate a decrease.
- (g) The estimated changes in Medicare spending for benefits that would result from eliminating automatic spending reductions are shown in the Memorandum section for informational purposes only. Those amounts are incorporated in CBO's estimate of eliminating those procedures. See Table 3 in CBO's "An Analysis of the President's 2013 Budget" (March 2012).