

August 14, 2003

Honorable Charlie Norwood
United States House of Representatives
Washington, DC 20515

Dear Congressman:

This letter responds to your request for clarification on the budgetary effects of implementing the provisions of H.R. 1622, the Quality Cancer Care Act, and the corresponding provisions of H.R. 1 and S. 1.

CBO estimates that enacting H.R. 1622 would increase Medicare payments for certain Part B services furnished in the fee-for-service sector by \$22 billion over the 2004-2013 period. CBO estimates that the corresponding provisions of the acts passed by the House and Senate (section 303 of H.R. 1 and section 432 of S. 1) would reduce fee-for-service spending by \$13 billion and \$16 billion, respectively, over the same period. (CBO estimated that the corresponding provisions of the versions of H.R. 2473 ordered reported by the Committee on Commerce and by the Committee on Ways and Means, would save \$11 billion and \$13 billion, respectively.)

Those estimates reflect gross spending for services furnished to beneficiaries by providers in the fee-for-service sector, and do not reflect the effect of changes in fee-for-service spending on payments to Medicare+Choice plans or the effect on Part B premiums of those changes in payments to providers and plans. Changes in premium collections would offset about 25 percent of the changes in Part B spending. The following discussion focuses on changes in gross spending over the 2004-2013 period for services furnished in the fee-for-service sector.

Prescription drugs. Under current law, CBO projects that Medicare spending on outpatient prescription drugs will total about \$175 billion over the 2004-2013 period. H.R. 1622 would change the basis of payment for those drugs from 95 percent of the “average wholesale price” to 120 percent

Honorable Charlie Norwood

Page 2

of the “average sales price.” CBO estimates that change would reduce federal spending over the next 10 years by \$7 billion, relative to the current-law projections. By contrast, CBO estimates that the changes in the basis of payment for outpatient drugs specified in H.R. 1 and S. 1 would reduce federal spending over the same period by \$17 billion and \$21 billion, respectively.

Physician payments. Under current law, CBO projects that Medicare payments to physicians will total \$650 billion during 2004 through 2013. CBO estimates that enacting H.R. 1622 would increase payments to physicians by \$29 billion over that period. About half of that total would result from increases in the “practice expense” component of payments for services commonly provided by oncologists (many of which are also provided by physicians in other specialties). Changes in payments for chemotherapy support services, cancer management services, and multiple administrations of chemotherapy services in the same day account for about another quarter of that total, as does temporarily exempting certain services, such as radiation oncology services, from rate cuts.

By contrast, CBO estimates that the corresponding provisions in H.R. 1 and in S. 1 would increase payments for physician services by \$3 billion and \$5 billion, respectively, over the 2004-2013 period.

If you wish further details on these estimates, we will be please to provide them. The CBO staff contacts are Margaret Nowak (for outpatient drugs) and Christopher Topoleski (for physician services).

Sincerely,

Douglas Holtz-Eakin
Director