

Financing Health Reform, CBO Scoring and PAYGO

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June 16, 2009

How much will it cost the feds?

- ◆ Subsidies/tax credits
- ◆ Medicaid expansion
- ◆ New institutions/structures
- ◆ Federal administrative expenses
- ◆ New benefits (prevention/public health/OOP caps)
- ◆ Workforce policies
- ◆ Fix SGR

\$1.0-\$1.5 Trillion over 10 years

How will we pay for health reform?

- ◆ **Must be through federal mandatory spending and taxes.**
- ◆ **Goal is half spending—half taxes.**
- ◆ **Big question: Are the pay fors health related?**

The President's Spending Proposals I

Health Reserve Fund in Budget

(Billions of \$ over 10 years)

- ◆ \$176 MA competitive bidding
- ◆ \$8 Reduced readmissions
- ◆ \$12 Hospital quality incentive payments
- ◆ \$18 Bundle hospital and PAC
- ◆ \$2.3 Payment reforms
- ◆ \$9 Generic biologicals
- ◆ \$37 Home health payment cuts
- ◆ \$24 Medicare/Medicaid improvement fund (?)
- ◆ \$8 Income relate Part D premiums

Total \$316 B over 10 years

The President's Spending Proposals II

Radio Address

(Billions of \$ over 10 years)

- ◆ \$110 Market basket minus $\frac{1}{2}$ TFP
- ◆ \$106 Reduce Medicare/Medicaid DSH
- ◆ \$75 Part D drug prices
- ◆ \$1? Fraud and abuse reduction
- ◆ \$? New SNF payment mechanism
- ◆ \$? Change imaging utilization assumption

Total \$313 B over 10 years

Two PAYGO Flavors

- ◆ **Legislative—House/Senate Rules (2002-09)**
 - ◆ Legislative branch the only player
 - ◆ Bill by bill
 - ◆ Easy to waive
 - ◆ No enforcement mechanism
- ◆ **Statutory—law of the land (1990-2001)**
 - ◆ Multi year—multi bill
 - ◆ Scorecard
 - ◆ Enforced by sequestration (OMB)