EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

June 12, 2008
(Senate)

STATEMENT OF ADMINISTRATION POLICY

S. 3101 – Medicare Improvements for Patients and Providers Act of 2008
(Sen. Baucus (D) MT and 3 cosponsors)

The Administration strongly opposes S. 3101, the Medicare Improvements for Patients and Providers Act of 2008. This legislation unnecessarily expands the Medicare program and irresponsibly imperils the long-term fiscal soundness of Medicare and Medicaid, through which millions of Americans receive their healthcare services. The bill pays for these spending increases, in part, with inappropriate reductions in Medicare Advantage (MA) payments. S. 3101 includes policies that are not included in or are inconsistent with the President's Budget, increases Trust Fund spending, and includes budget gimmicks. The Administration has repeatedly communicated that legislative proposals that result in loss of beneficiary access to additional benefits or choices in the MA program are unacceptable. Further, the Administration objects to any policy that undermines efforts to promote fiscal solvency in the Medicare or Medicaid programs or disturbs, undermines, or overturns the many successes of the Medicare prescription drug benefit. Because this legislation fails to address the Administration's significant concerns, if S. 3101 were presented to the President in its current form, his senior advisors would recommend that he veto the bill.

The Administration reiterates that if Congress considers legislation to forestall reductions in physician payments, it should: (1) pay for increased spending such as adjustments to the physician fee schedule formula by responsibly adjusting payments to other providers in the Fee-For-Service Medicare program; and (2) consider offsets intended to limit Part B premium increases through reductions in Part B fee-for-service spending. The Administration strongly opposes provisions that limit Part B premium increases by transferring costs to taxpayers.

The Administration has concerns with many different aspects of this bill, as discussed below.

Over 20 percent of Medicare beneficiaries, more than 10 million seniors and disabled Americans, receive their Medicare benefits through private plans in Medicare. Beneficiary satisfaction rates in these plans are high, and most beneficiaries receive additional value, including reduced premiums, lower cost-sharing, and extra benefits. To protect the interests of these beneficiaries, the Administration strongly opposes any policies that would irresponsibly reduce payments for MA plans or target a subset of those plans, such as private fee-for-service plans, for fundamental restructuring. Such policies would risk reducing additional benefits for millions of plan enrollees who have chosen to have their care delivered through this mechanism, including those in rural areas.

Later this year, Medicare Part A spending will exceed payroll tax receipts to the Part A Trust Fund, which is projected by the Medicare Trustees to be fully depleted by 2019. At the same time, federal spending on Medicare and Medicaid is projected to consume an increasing portion of general revenues, at 20 percent this year. In contrast to the President's Budget, which includes proposals that slow the rate of growth in Medicare, this legislation includes provisions that will directly increase the financial strain on taxpayers' wallets by expanding benefits, reducing cost sharing, and expanding eligibility for certain benefits and services. Further, in some cases, it seeks to hide the true costs of these changes by delaying their full effect to outside of the budget window or assuming unrealistic reductions to physician payments.

The legislation also seeks to limit or overturn several Administration actions and policies that are intended to improve the financial solvency of both the Medicare and Medicaid programs. For example, the bill would repeal a demonstration to test the impact of competitive bidding for clinical laboratory services and would limit the ability of the Administration to appropriately reimburse for prescription drugs as enacted by the Deficit Reduction Act and to adjudicate disputed claims reimbursement under the Medicaid program.

Moreover, not only will this legislation directly increase costs for the Medicare Prescription Drug program, but it will also constrain market forces that have made this program – with projected costs to taxpayers about $244 billion lower than originally estimated – a success. A great deal of this success is dependent on the ability of private plans to negotiate competitive contracts. This legislation seeks to impose contract terms and program requirements that have the potential to supersede and limit the benefit of negotiations, which could result in increased costs to taxpayers and beneficiaries and reduced choices for beneficiaries.

The Administration supports policies that reduce the growth in Medicare spending, increase competition and efficiency, implement principles of value-driven health care as embodied by Title I of the Medicare Funding Warning Act of 2008, S. 2662 and H.R. 5480, and appropriately offset increases in physician spending. The Administration would support a bill that furthers these policies and looks forward to working with Congress to accomplish this goal.

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