

**Estimated Changes in Net Federal Outlays from Alternative Proposals
for Changing Physician Payment Rates
By Fiscal Year, in Billions of Dollars**

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2010- 2014	2010- 2019
<u>"Cliff Options" ^a</u>												
0% Update for 2010, cliff: 25% reduction in 2011	6.8	3.8	-1.2	0	0	0	0	0	0	0	9.4	9.4
0% Update for 2010-2011, cliff: 29% reduction in 2012	6.8	12.5	5.2	0	0	0	0	0	0	0	24.5	24.5
0% Update for 2010-2012, cliff: 34% reduction in 2013	6.8	12.5	15.9	8.3	0	0	0	0	0	0	43.4	43.4
1% Update in 2010, cliff: 26% reduction in 2011	7.3	3.9	-1.3	0	0	0	0	0	0	0	10.0	10.0
1% Update in 2010-2011, cliff: 31% reduction in 2012	7.3	13.3	5.7	0	0	0	0	0	0	0	26.3	26.3
1% Update in 2010-2012, cliff: 36% reduction in 2013	7.3	13.3	17.3	9.1	0	0	0	0	0	0	47.0	47.0
MEI Update in 2010, cliff: 26% reduction in 2011	7.7	4.1	-1.3	0	0	0	0	0	0	0	10.5	10.5
MEI Update in 2010-2011, cliff: 32% reduction in 2012	7.7	14.1	6.1	0	0	0	0	0	0	0	27.8	27.8
MEI Update in 2010-2012, cliff: 37% reduction in 2013	7.7	14.1	18.4	9.6	0	0	0	0	0	0	49.6	49.6
<u>"Clawback Options" (with recoupment) ^b</u>												
0% Update for 2010	6.8	10.7	10.7	12.4	12.7	13.1	13.7	12.4	9.0	4.5	53.4	106.0
0% Update for 2010 and 2011	6.8	12.5	13.8	15.6	16.0	16.5	17.2	15.9	12.5	8.2	64.7	135.0
0% Update for 2010, 2011, and 2012	6.8	12.5	15.9	19.4	19.9	20.5	21.4	20.1	16.8	12.6	74.4	165.9
1% Update in 2010	7.3	11.2	11.2	13.0	13.3	13.7	14.3	13.0	9.6	5.1	56.0	111.8
1% Update in 2010 and 2011	7.3	13.3	14.9	16.8	17.2	17.7	18.6	17.2	13.9	9.5	69.5	146.4
1% Update for 2010, 2011, and 2012	7.3	13.3	17.3	21.3	21.8	22.5	23.5	22.2	18.9	14.7	81.0	182.8
MEI Update in 2010	7.7	11.7	11.7	13.6	13.9	14.3	15.0	13.6	10.2	5.8	58.4	117.3
MEI Update in 2010 and 2011	7.7	14.1	15.8	17.9	18.3	18.9	19.7	18.4	15.1	10.8	73.7	156.5
MEI Update for 2010, 2011, and 2012	7.7	14.1	18.4	22.5	23.0	23.7	24.8	23.6	20.2	16.1	85.5	194.0

continued

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By Fiscal Year, in Billions of Dollars

Continued

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2010-2014	2010-2019
Options that Replace or Restructure the SGR												
0% Update Through at Least 2019	6.8	17.4	21.7	18.2	23.1	28.5	34.8	42.1	44.9	47.4	87.3	285.0
1% Update Through at Least 2019	7.3	13.3	17.3	24.1	30.1	36.8	44.6	49.6	52.9	56.7	92.2	332.8
MEI Update Through at Least 2019	7.7	14.1	18.4	25.2	31.0	37.6	45.5	50.9	54.8	59.5	96.2	344.4
"Reset" SGR Targets at 2008 Spending Level ^c	7.8	13.2	15.1	18.5	20.4	22.8	26.0	27.1	26.4	25.2	75.0	202.4
Remove MD-administered drugs from the SGR retrospectively and prospectively	0.0	1.2	3.2	5.6	8.3	11.2	14.4	15.7	14.9	13.1	18.2	87.5
Remove MD-administered drugs from the SGR prospectively	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-1.4	-3.5	-4.7	0.0	-9.6

Source: Congressional Budget Office.

Notes: Estimates are based on the Congressional Budget Office's March 2009 baseline.

Sums may not add to totals due to rounding.

MEI = Medicare Economic Index; SGR = sustainable growth rate; "Net Federal Outlays" includes the effect on fee-for-service Medicare spending, interactions with payments to Medicare Advantage plans, Part B premiums, and TRICARE for Life.

^a **Cliff Options:** After one year (or a few years) of overriding the reductions in payment rates for physicians' services that are scheduled under current law, those payment rates would be reduced dramatically in the year following the last override to the level they would have been if there had been no change in the payment rates during that one/few years (that is, to the level they would be under current law). The payment rates would remain at current-law levels in subsequent years. (Those current-law levels reflect annual reductions of about 6 percent during most of the 2011-2019 period.)

^b **Clawback Options:** The limits on updates to payment rates under the SGR formula (which have the effect of limiting updates to payment rates to between about +4 percent and about -6 percent) would go into effect after the one/few years of overriding the reductions in payment rates for physician services that are scheduled under current law.

There are two versions of Clawback Options: with recoupment, and without recoupment. Recoupment refers to whether the additional spending that results from the one/few years of overriding the reductions in payment rates scheduled under current law would be offset by reductions to payment rates in subsequent years. Over the long term (generally longer than 10 years), a "with recoupment" provision would have a cumulative cost of approximately zero.

The clawback options shown here include "with recoupment." The "with recoupment" version would require that legislation specify that the override of reductions to payment rates is not considered a change in law or regulation for the purposes of the SGR. By contrast, a "without recoupment" provision would have a long-term cost approximately equal to the 10-year cost of the comparable cliff provision. (In either case, long-term cost might not be exactly equal to zero or the cost of the cliff option because of interactions with payment rates in the Medicare Advantage program.)

^c This option would forgive all spending that has accrued above the cumulative targets and set both the cumulative target and cumulative spending to zeros as of December 31, 2008, using calendar year 2009 as the base period for future application of the SGR.