

**Table 1. CBO Estimate of Spending Provisions in the President's Budget Proposal for a Health Reform Reserve Fund**

Figures are outlays, by fiscal year, in millions of dollars.

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2010-2014	2010-2019
<b>CHANGES IN DIRECT SPENDING</b>												
<b>Part A Provisions</b>												
▪ Encourage hospitals serving Medicare beneficiaries to reduce readmission rates	0	0	-640	-640	-670	-710	-760	-810	-860	-920	-1,950	-6,010
▪ Create hospital quality incentive payments	0	-400	-600	-800	-1,100	-1,400	-1,400	-1,500	-1,600	-1,800	-2,900	-10,600
▪ Promote efficient provision of acute care through bundled Medicare payments covering hospital and post-acute settings	0	0	0	-200	-800	-1,900	-2,800	-3,700	-4,100	-4,400	-1,000	-17,900
▪ Address financial conflicts of interest in physician-owned specialty hospitals	0	0	0	-100	-100	-100	-100	-100	-200	-200	-200	-900
<b>Part B Provisions</b>												
▪ Encourage primary care physicians to administer the flu vaccine to Medicare beneficiaries	0	0	-160	-170	-130	-80	-10	50	100	150	-460	-250
▪ Enable physicians to form voluntary groups that coordinate care for Medicare beneficiaries and to receive performance-based payments for the coordinated care	0	0	0	0	-50	-270	-640	-1,020	-1,290	-880	-50	-4,150
▪ Ensure that Medicare makes appropriate payments for imaging services through the use of radiology benefit managers	0	0	-20	-40	-70	-90	-120	-140	-180	-210	-130	-870
▪ Provide private sector enhancements to ensure Medicare pays accurately:												
1) Least-costly alternative for viscosupplements;	-40	-50	-50	-60	-60	-60	-60	-60	-70	-70	-260	-580
2) screening for inappropriate claims;	0	0	0	0	0	0	0	0	0	0	0	0
3) annual re-enrollment of DME providers	0	-70	-70	-70	-70	-70	-70	-70	-70	-70	-280	-630
▪ Follow-on biologics: Promote increased generic medication utilization by establishing a pathway for FDA approval of generic biologics (effects on Part B of Medicare) 1/	0	0	0	-30	-90	-360	-860	-1,760	-2,500	-3,150	-120	-8,750
<b>Provisions affecting both Part A and Part B</b>												
▪ Improve Medicare home health payments to align with costs	-750	-3,000	-3,990	-4,440	-4,920	-5,460	-6,060	-6,730	-7,450	-8,130	-17,100	-50,930
▪ Reallocate Medicare Improvement Funds	0	0	0	0	-16,720	-5,570	0	0	0	0	-16,720	-22,290
<b>Medicare Advantage Provisions</b>												
▪ Establish competitive bidding for Medicare Advantage	0	0	-8,100	-13,320	-16,970	-20,830	-23,590	-26,650	-30,710	-35,710	-38,390	-175,880
<b>Interactions</b>												
▪ Medicare Advantage Interactions	0	0	0	0	0	0	0	0	0	0	0	0
▪ Premium interactions	0	410	1,490	2,150	5,630	4,230	3,790	4,490	5,240	5,940	9,680	33,370
<b>Subtotal, Provisions Modifying Part A&amp;B Benefits</b>	<b>-790</b>	<b>-3,110</b>	<b>-12,140</b>	<b>-17,720</b>	<b>-36,120</b>	<b>-32,670</b>	<b>-32,680</b>	<b>-38,000</b>	<b>-43,690</b>	<b>-49,450</b>	<b>-69,880</b>	<b>-266,370</b>

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continued

## CBO Estimate of Spending Provisions in the President's Budget Proposal for a Health Reform Reserve Fund (continued)

Figures are outlays, by fiscal year, in millions of dollars.

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2010-2014	2010-2019
<b>Premium Policies</b>												
▪ Require certain higher-income beneficiaries enrolled in the Medicare drug benefit to pay higher premiums, as is currently required for physician and outpatient services	0	-300	-460	-560	-680	-830	-1,000	-1,220	-1,470	-1,730	-2,000	-8,250
<b>Other Mandatory Policies</b>												
▪ Expand availability of family planning services under Medicaid 2/	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.		
▪ Ensure appropriate Medicaid payments through use of the National Correct Coding Initiative (NCCI) edits	-10	-20	-30	-30	-30	-30	-30	-30	-30	-40	-120	-280
▪ Promote cost-effective purchase and delivery of Medicaid prescription drugs by (1) increasing the Medicaid rebate amounts, (2) extending to and collecting rebates on behalf of managed care plans, and (3) applying rebates to new formulations of existing drugs	-720	-1,160	-1,460	-1,520	-1,600	-1,690	-1,820	-1,920	-2,040	-2,170	-6,460	-16,100
▪ Follow-on biologics: Promote increased generic medication utilization by establishing a pathway for FDA approval of generic biologics (excludes effects on Part B of Medicare) 1/	0	0	0	-20	-50	-200	-410	-690	-1,050	-1,410	-70	-3,830
▪ Reallocate Medicaid Improvement Funds	0	0	0	0	-100	-150	0	0	0	0	-100	-250
<b>Subtotal, Premium and Other Policies</b>	<b>-730</b>	<b>-1,480</b>	<b>-1,950</b>	<b>-2,130</b>	<b>-2,460</b>	<b>-2,900</b>	<b>-3,260</b>	<b>-3,860</b>	<b>-4,590</b>	<b>-5,350</b>	<b>-8,750</b>	<b>-28,710</b>
<b>Total, Changes in Direct Spending</b>	<b>-1,520</b>	<b>-4,590</b>	<b>-14,090</b>	<b>-19,850</b>	<b>-38,580</b>	<b>-35,570</b>	<b>-35,940</b>	<b>-41,860</b>	<b>-48,280</b>	<b>-54,800</b>	<b>-78,630</b>	<b>-295,080</b>

### CHANGES IN REVENUES

<b>Medicaid Rx Proposal</b>												
Income and HI payroll taxes (on-budget)	1	6	5	9	9	8	7	12	11	15	30	83
Social Security payroll taxes (off-budget)	3	2	2	1	6	6	6	6	6	5	14	43
<b>Follow-on Biologics</b>												
Income and HI payroll taxes (on-budget)	0	0	0	4	20	60	100	200	250	300	24	934
Social Security payroll taxes (off-budget)	0	0	0	2	10	30	60	90	100	150	12	442
Subtotal, Changes in on-budget revenues	1	6	5	13	29	68	107	212	261	315	54	1,017
Subtotal, Changes in off-budget revenues	<u>3</u>	<u>2</u>	<u>2</u>	<u>3</u>	<u>16</u>	<u>36</u>	<u>66</u>	<u>96</u>	<u>106</u>	<u>155</u>	<u>26</u>	<u>485</u>
<b>Total, Changes in Revenues</b>	<b>4</b>	<b>8</b>	<b>7</b>	<b>16</b>	<b>45</b>	<b>104</b>	<b>173</b>	<b>308</b>	<b>367</b>	<b>470</b>	<b>80</b>	<b>1,502</b>

### CHANGES IN DEFICITS

<b>Change in On-Budget Deficits</b>	<b>-1,521</b>	<b>-4,596</b>	<b>-14,095</b>	<b>-19,863</b>	<b>-38,609</b>	<b>-35,638</b>	<b>-36,047</b>	<b>-42,072</b>	<b>-48,541</b>	<b>-55,115</b>	<b>-78,684</b>	<b>-296,097</b>
<b>Change in Unified-Budget Deficits</b>	<b>-1,524</b>	<b>-4,598</b>	<b>-14,097</b>	<b>-19,866</b>	<b>-38,625</b>	<b>-35,674</b>	<b>-36,113</b>	<b>-42,168</b>	<b>-48,647</b>	<b>-55,270</b>	<b>-78,710</b>	<b>-296,582</b>

#### Notes:

DME = Durable Medical Equipment; FDA = Food and Drug Administration; n.a. = not applicable; HI = Hospital Insurance

1/ Follow-on biologics: CBO estimates that net savings to Part B of Medicare (including the effect on Part B premiums) would total \$6.8 billion through 2019. Taken together with savings realized by other mandatory health programs, the estimated reduction in direct spending would amount to \$10.6 billion through 2019.

2/ CBO did not have enough information to estimate the budgetary impact of this proposal.

**Table 2. CBO Estimate for Health Proposals in the President's Budget, excluding the Health Reform Reserve Fund**

Figures are outlays, by fiscal year, in millions of dollars.

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2010- 2014	2010- 2019
<b>CHANGES IN DIRECT SPENDING</b>												
<b>Health (Function 550)</b>												
▪ Survey and Certification Revisit User Fees	36	37	37	38	39	39	41	42	43	44	187	396
▪ Continue Transitional Medical Assistance	0	196	699	814	874	912	967	1,027	1,097	1,166	2,583	7,752
Subtotal, changes in direct spending for health provisions	36	233	736	852	913	951	1,008	1,069	1,140	1,210	2,770	8,148
<b>Medicare (Function 570)</b>												
▪ Freeze Payment Rates for Physicians' Services	6,800	17,400	21,700	18,200	23,100	28,500	34,800	42,100	44,900	47,400	87,200	284,900
▪ Continue Qualifying Individuals Program	0	500	700	800	900	900	1,000	1,100	1,200	1,400	2,900	8,500
Subtotal, changes in direct spending for Medicare provisions	6,800	17,900	22,400	19,000	24,000	29,400	35,800	43,200	46,100	48,800	90,100	293,400
<b>Total, Changes in Direct Spending</b>	<b>6,836</b>	<b>18,133</b>	<b>23,136</b>	<b>19,852</b>	<b>24,913</b>	<b>30,351</b>	<b>36,808</b>	<b>44,269</b>	<b>47,240</b>	<b>50,010</b>	<b>92,870</b>	<b>301,548</b>
<b>CHANGES IN REVENUES</b>												
▪ Survey and Certification Revisit User Fees	27	27	28	28	29	30	30	31	32	33	139	295
▪ Food Safety and Inspection Service Performance Fee	3	3	3	3	3	3	3	4	4	4	15	33
<b>Total, Changes in Revenues</b>	<b>12</b>	<b>12</b>	<b>12</b>	<b>12</b>	<b>13</b>	<b>13</b>	<b>13</b>	<b>14</b>	<b>15</b>	<b>15</b>	<b>61</b>	<b>131</b>
<b>CHANGES IN DEFICITS</b>												
<b>Change in On-Budget Deficits</b>	<b>6,824</b>	<b>18,121</b>	<b>23,124</b>	<b>19,840</b>	<b>24,900</b>	<b>30,338</b>	<b>36,795</b>	<b>44,255</b>	<b>47,225</b>	<b>49,995</b>	<b>92,809</b>	<b>301,417</b>
<b>Memorandum: Non-Scoreable Savings from Discretionary Cap Adjustments</b>												
▪ Cap adjustment for CMS for Medicare (HCFAC)	-114	-237	-364	-497	-526	-403	-277	-144	0	0	-1,738	-2,562
▪ Cap adjustment for CMS for Medicaid (HCFAC)	-7	-15	-22	-30	-32	-25	-17	-9	0	0	-106	-157
▪ Medicare effect of SSA cap adjustment	-7	-43	-119	-225	-384	-510	-538	-527	-513	-715	-778	-3,581
▪ Medicaid effect of SSA cap adjustment	-10	-56	-130	-243	-360	-459	-513	-451	-393	-394	-799	-3,009
<b>Total savings from cap adjustments</b>	<b>-131</b>	<b>-336</b>	<b>-613</b>	<b>-965</b>	<b>-1,270</b>	<b>-1,372</b>	<b>-1,328</b>	<b>-1,122</b>	<b>-906</b>	<b>-1,109</b>	<b>-3,315</b>	<b>-9,152</b>

Notes:

CMS = Centers for Medicare and Medicaid Services; HCFAC = Health Care Fraud and Abuse Control; SSA = Social Security Administration