

Estimate of the Effects on Direct Spending of Provisions Related to Medicare and Medicaid Included in the President's Budget Proposal for Fiscal Year 2012

<i>Outlays, by fiscal year, in billions of dollars</i>	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2012-2016	2012-2021
Medicare												
Freeze Medicare Payment Rates for Physicians' Services at 2011 Level	12.0	19.1	22.9	26.1	28.8	31.3	33.9	37.4	41.1	45.1	108.9	297.6
Proposals Specified as Offsets to the Cost of Freezing Payment Rates for Physicians' Services												
Medicare												
Risk-adjustment Data Validation Audits in the Medicare Advantage Program	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	-0.2	-0.2	-0.2	-0.2	-1.5	-2.6
Program Integrity Provisions	*	*	*	*	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.2	-0.7
Quality Improvement Organizations	0	0	*	*	*	*	-0.1	-0.1	-0.1	-0.1	-0.1	-0.3
Medicare Improvement Fund	0	0	0	0	0	0	0	0	-0.4	-0.5	0	-0.9
Medicaid												
Reduce Medicaid Provider Tax Threshold Beginning in FY 2015	0	0	0	-1.6	-2.8	-3.9	-4.2	-4.4	-4.6	-4.9	-4.4	-26.3
Third-Party Liability	*	-0.1	-0.1	-0.1	-0.1	-0.2	-0.2	-0.2	-0.2	-0.2	-0.5	-1.4
Reporting of Items for Drug Coverage	*	*	*	*	*	*	*	*	*	*	-0.1	-0.1
Rebase Medicaid Disproportionate Share Hospital (DSH) Allotments in FY 2021	0	0	0	0	0	0	0	0	0	-4.1	0	-4.1
Payment Rates for Durable Medical Equipment	-0.1	-0.1	-0.2	-0.3	-0.5	-0.6	-0.7	-0.8	-0.9	-1.0	-1.3	-5.1
Prescription Drug Provisions												
Settlement Agreements	*	-0.2	-0.1	-0.1	-0.1	-0.2	-0.4	-0.5	-0.6	-0.6	-0.5	-2.7
Follow-on Biologicals	0	*	*	-0.1	-0.2	-0.4	-0.4	-0.6	-0.8	-1.0	-0.3	-3.5
Other Provisions Affecting Medicare												
Qualifying Individuals	0.4	0	0	0	0	0	0	0	0	0	0.4	0.4
Payment Levy	*	*	*	*	*	*	*	*	*	*	-0.1	-0.2
TRICARE for Life	0	*	*	*	*	*	*	0.1	0.1	0.1	*	0.4
Other Provisions Affecting Medicaid												
Extend Transitional Medical Assistance	0.3	0.8	0.1	0	0	0	0	0	0	0	1.1	1.1
Extension of Supplemental Security Income for Refugees	*	0.1	0	0	0	0	0	0	0	0	0.1	0.1
Total, Changes in Direct Spending (a)	12.3	19.2	22.1	23.4	24.7	25.7	27.8	30.6	33.3	32.5	101.7	251.6

Memoranda:

Ten-year physician fee schedule (PFS) freeze without premium offset (b)	14.4	24.5	29.3	33.4	36.9	40.1	43.4	47.8	52.5	57.6	138.6	379.9
Two-year PFS freeze	12.0	19.1	7.3	0	0	0	0	0	0	0	38.4	38.4
Specified offsets	<u>-0.5</u>	<u>-0.7</u>	<u>-0.8</u>	<u>-2.6</u>	<u>-4.1</u>	<u>-5.6</u>	<u>-6.2</u>	<u>-6.8</u>	<u>-7.9</u>	<u>-12.7</u>	<u>-8.7</u>	<u>-47.8</u>
Effect on direct spending of two-year freeze and specified offsets	11.6	18.4	6.5	-2.6	-4.1	-5.6	-6.2	-6.8	-7.9	-12.7	29.7	-9.3
Proposals other than the PFS freeze and its offsets	0.7	0.8	0	0	0	0	0	0	0.1	0.1	1.5	1.8
Spending of proposed discretionary funding for Health Care Fraud and Abuse Control (HCFAC)	0.5	0.6	0.6	0.7	0.7	0.7	0.7	0.8	0.8	0.8	3.2	7.0
Non-scorable savings from providing funding for program integrity activities	-0.2	-0.5	-0.8	-1.0	-1.1	-1.2	-1.3	-1.4	-1.4	-1.5	-3.7	-10.4

Notes:

Components may not sum to totals because of rounding.

"*" = change in direct spending of between -\$50 million and \$50 million.

(a) Individual estimates are fully interacted for premium and Medicare Advantage effects. CBO estimates that the President's Medicare proposals would not affect savings targets for the Independent Payment Advisory Board (IPAB).

(b) The Administration estimates that the 10-year cost of freezing Medicare's payment rates for physicians' services would be \$370 billion, which reflects the gross cost to the Medicare program. (The President's budget shows that gross cost.) Under current law, beneficiaries pay about 25 percent of the cost of Part B. CBO's estimate incorporates savings from the collection of additional premiums under the budget proposal. The Administration includes those higher receipts as part of its baseline. For comparison purposes, this memorandum entry displays CBO's estimate of the gross cost of freezing Medicare's payment rates for physicians' services for 10 years—that is, before taking into account changes in premium collections.