Issue Brief

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KEY POINTS

- The House Medicare physician payment legislation would increase the federal deficit by $141 billion during a 10-year period.
- The bill would include increases of $175 billion to repeal and replace the sustainable growth rate formula and $40 billion to extend the Children's Health Insurance Program.
- The bill includes offsets of $34 billion from making higher-income seniors pay higher premiums.

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CBO Scores House "Doc Fix" Bill

The Congressional Budget Office and the staff of The Joint Committee on Taxation have completed an analysis of H.R. 2, the *Medicare Access and CHIP Reauthorization Act of 2015*, as posted on the website of the House Committee on Rules on March 24, 2015.

During the 2015–2025 period, CBO estimates that enacting H.R. 2 would increase both direct spending (by about $145 billion) and revenues (by about $4 billion), resulting in a $141 billion increase in federal budget deficits. The CBO report is at: http://www.cbo.gov/publication/50053.

CBO estimates that changes to how Medicare sets payment rates for physicians' services would increase direct spending, relative to the current-law baseline, by about $175 billion during the 2015–2025 period.

The major provisions of the new payment systems are as follows.

- Medicare's payment rates for services on the physician fee schedule would increase by 0.5 percent a year for services furnished during calendar years 2016 through 2019.
- Payment rates for services on the physician fee schedule would remain at the 2019 level through 2025, but the amounts paid to individual providers would be subject to adjustment through one of two mechanisms, depending on whether the physician chose to participate in the Merit-Based Incentive Payment System or an Alternative Payment Model program.

  For 2026 and subsequent years, there would be two payment rates for services on the physician fee schedule. For providers paid through an APM program, payment rates would be increased each year by 0.75 percent. Payment rates for other providers would be increased each year by 0.25 percent.
- Providers who participate in the MIPS program would receive payments that would be subject to positive or negative performance adjustments. The basic adjustments would be designed to be offsetting in aggregate, so that they would have no net effect on overall payments. The performance adjustment for an individual provider would depend on that provider's performance compared to a performance threshold. In addition, H.R. 2 would provide $500 million each year from 2019 to 2024 for an additional performance adjustment for providers in this program who achieved exceptional performance.

  Providers who receive a substantial portion of their revenue from alternative payment models would receive, from 2019 through 2024, a lump-sum payment equal to 5 percent of their Medicare payments in the prior year for services paid according to the

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physician fee schedule. Providers with smaller amounts of revenue from alternative payment models would receive either no adjustment to their payments or the MIPS performance adjustment if they reported measures and activities under that program.

Extension of the Children's Health Insurance Program

The bill would provide a total of $39.7 billion to extend CHIP through 2017. CBO and JCT estimate that enacting that provision would increase outlays by $7 billion and revenues by $1.4 billion, for a net cost of $5.6 billion during the 2015–2025 period relative to CBO's baseline.

Extension of Expiring Provisions Related to Medicare

Several Medicare provisions, including some that increase payments for certain hospitals, physicians and ambulance providers, will expire on April 1. H.R. 2 would extend those increases through the end of either fiscal year 2017 or calendar year 2017, depending on whether Medicare's payment system for that type of provider operates on a fiscal year or calendar year basis.

The bill also would extend for two years the eligibility of certain types of managed care plans (cost plans) to participate in the Medicare program. CBO estimates that enacting those provisions (subtitle A of title II) would increase direct spending by $6 billion during the 2015–2025 period.

POLICIES THAT WOULD REDUCE DIRECT SPENDING OR INCREASE REVENUES

- Increasing premiums that certain beneficiaries with relatively high income pay to participate in Part B and Part D (which covers outpatient prescription drugs) of Medicare, beginning in 2018; and increasing the number of beneficiaries subject to those income-related premiums beginning in 2020. CBO estimates that those changes would increase offsetting receipts, and thereby reduce direct spending by $34.3 billion during the 2018–2025 period.
- Reducing the updates to Medicare's payment rates in 2018 for certain providers of post-acute care and long-term care services to 1 percent. CBO estimates that those provisions would reduce direct spending by $15.4 billion during the 2018–2025 period.
- Replacing a 3.2 percent increase in payment rates for hospital inpatient services that is scheduled for 2018 with an increase of 0.5 percent each year from 2018 through 2023. That provision would reduce direct spending by $15.1 billion during the 2018–2025 period, CBO estimates.
- Changing state allotments for Medicaid disproportionate share hospital payments. Under current law DSH allotments are increased each year by the percent change in the consumer price index and then adjusted by scheduled cuts. Relative to current law, H.R. 2 would increase net allotments in the first few years of the budget window and decrease net allotments in later years. CBO estimates that those provisions would reduce direct spending by $4.1 billion during the 2016–2025 period.

Analysis provided for MHA by Larry Goldberg, Goldberg Consulting

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