

The Baucus Health Reform Bill: What We Know.... What We Need To Know

We don't have a final CBO estimate: On October 7th, CBO and JCT issued a preliminary analysis of the Senate Finance Committee Chairman's mark for the America's Healthy Future Act of 2009, as amended.

- Reflects CBO's review of "conceptual language," not actual legislative text.
- Does not contain key information included in regular cost estimates, such as estimates of both intergovernmental and private-sector mandates.
- Does not include information about the total new spending and total new taxes that will result from this plan. Therefore, members still do not have an answer regarding how big the federal government will grow if this plan is enacted.

Congress and the American people need more information: In addition to final legislative text and a formal CBO score, many important details remain unavailable.

- We don't know the impact of the Baucus bill on the cost of health insurance premiums or employment trends.
- We don't know the impact of the bill on medical innovation and patient access to life-saving therapies.
- In previous debates, Congress had had time to review this type of information in order to make informed choices about the health care policy. For example, in 1994, the CBO released a 104-page comprehensive study on the impacts of President Clinton's health reform proposal.

The Real Costs?: The real 10-year cost of the Baucus bill, once fully implemented (2014-2023), is \$1.8 trillion – twice what the president said it should be. To pay for it, the bill would impose nearly \$1 trillion in new taxes, cut \$1 trillion from Medicare and Medicaid, and rely on spending reductions that Congress is unlikely to keep in place, all without bending the cost curve on overall health care spending.

Estimate of the Baucus Mark as Amended					
(billions)	2010-14	2010-19	2014-23	2020-29	2010-29
Spending	106	918	1,821	3,019	3,938
Spending Cuts	-111	-517	-1,049	-2,195	-2,713
Tax Increase	-106	-482	-955	-2,064	-2,544
TOTAL	-111	-81	-183	-1,239	-1,319

What about that \$81 billion in deficit reduction?: One headline about the Baucus health reform bill has been that it would reduce the deficit by \$81 billion over the next 10 years.

- It is actually just the off-budget surplus that would increase by \$81 billion (the "off-budget" part of the budget is essentially just Social Security spending and revenues).
- The entire "rest of government" is the on-budget part of the budget; the CBO estimate says the on-budget deficit (the deficit of the rest of government excluding Social Security spending and revenues) **would remain unchanged over the next 10 years as a result of this bill.**

What is really going on with this bill?

- The bill **would increase federal spending on health by nearly \$1 trillion** and would pay for roughly half of it by reducing some other federal health spending and would pay for roughly the other half by increasing taxes.
- **Bottom line – the bill would leave the federal deficit unchanged over the next 10 years**, though federal spending would be higher and taxes would be higher. The cost curve of spending on health would not go down.

- The only reason the unified deficit would fall as a result of this bill is because additional Social Security taxes would flow into the Social Security trust fund. Why? CBO estimates some people would not be offered tax-exempted health benefits from employers and would be paid higher, taxable wages instead.
- But increased Social Security revenues (or decreases in Social Security spending) cannot be used to offset spending in legislation, and they cannot be said to result in the cost curve on health spending going down in the right direction.

Does the Baucus Plan “Bend the Cost Curve”?: It is wrong to say that CBO has concluded that the Baucus plan bends the cost curve. CBO has made no such statement:

- Federal spending for health care already overwhelms the budget and will completely consume available revenue in the future.
- Federal health spending growth is inherently tied to the out-of-control growth of health care costs in the overall economy.
- In order to bring federal health spending under control, it is essential to reduce the growth of health care costs economy-wide.
- CBO has concluded that the Baucus plan would reduce the federal deficit in both the first and the second ten years if all of the proposed savings materialize are not “given back” at some point.
- CBO also stated that the federal government’s commitment of spending and tax expenditure resources for health care would decline under the Baucus plan.
- CBO said “at this point [CBO] has not assessed the net effect of the current proposal on national health expenditures, either within the 10-year budget window or for the subsequent decade.”

What about the “Doc Fix”?: The sustainable growth rate (SGR) mechanism governing Medicare’s payments to physicians has frequently been modified (either through legislation or administrative action) to avoid reductions in those payments. In particular, the Baucus proposal would increase payment rates for physicians’ services for 2010, but those rates would be reduced by about 25 percent for 2011 and then remain at current-law levels (that is, as specified under the SGR) for subsequent years. The long-term budgetary impact could be quite different if those provisions were ultimately changed and the “Doc-Cut” continues to be fixed as has annually been the case. **If you freeze payments to doctors at the new levels set in 2010, then the bill would increase the federal deficit by at least \$160 billion over the 2010-2019 period rather than claiming to reduce it by \$81 billion. If you add the full ten-year cost of the “Doc Fix” to the fully implemented 10-year cost, that amount would grow from \$1.8 trillion to \$2.2 trillion.**

Implementation Gimmicks: The amended Baucus bill raises taxes in the first year and keeps them in place, but delays full implementation of its coverage provisions until 2014.

- In 2010, the bill raises taxes by a net \$11 billion but does essentially nothing to expand health care coverage. This time-shifting improves the score of the bill in the 10-year budget window, but does nothing to advance the bill’s goal of expanding insurance coverage.

Unaccounted Future Discretionary Spending Demands: CBO’s analysis does not include all federal spending needs that would be required in future appropriations bills.

- CBO’s analysis does not include the spending that would be necessary for future IRS and CMS operations, even though the plan authorizes new spending for those activities. CBO states that, “these discretionary costs could total several billion dollars over the 10-year period.”
- Keep in mind what additional discretionary spending needs may be included in the legislation once the Finance Committee product is combined with the HELP Committee bill. For example, the HELP Committee legislation that was passed in July includes the authorization of 63 federal programs, 48 of which would create new federal programs.

Source: Senate Budget Committee Minority, October 8, 2009.