

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

NOTE: All of the following options assume payment rates are held at the current level for the remainder of calendar year 2010. To determine the total cost of an option, including such a freeze, add the following to the cost of the option.

<u>Freeze remaining months of 2010</u>	<u>2010</u>	<u>2011</u>	<u>Total</u>
June through December, as of April 2010, resulting in about a 26% reduction in 2011	2.7	3.8	6.5

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2011- 2015	2011- 2020
"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.												
0% Update for 2011; cliff: 29% reduction in 2012	9.2	6.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	15.4	15.4
0% Update for 2011-2012; cliff: 30% reduction in 2013	9.2	19.3	7.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	35.8	35.8
0% Update for 2011-2013; cliff: 30% reduction in 2014	9.2	19.3	22.2	7.7	0.0	0.0	0.0	0.0	0.0	0.0	58.4	58.4
MEI Update in 2011; cliff: 29% reduction in 2012	9.4	6.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	15.8	15.8
MEI Update in 2011-2012; cliff: 31% reduction in 2013	9.4	20.1	7.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	37.2	37.2
MEI Update in 2011-2013; cliff: 32% reduction in 2014	9.4	20.1	23.6	8.2	0.0	0.0	0.0	0.0	0.0	0.0	61.3	61.3
2% Update for 2011; cliff: 30% reduction in 2012	9.8	6.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	16.5	16.5
2% Update for 2011-2012; cliff: 33% reduction in 2013	9.8	21.4	8.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	39.6	39.6
2% Update for 2011-2013; cliff: 34% reduction in 2014	9.8	21.4	26.0	9.2	0.0	0.0	0.0	0.0	0.0	0.0	66.4	66.4
"Clawback Options" (with recoupment)^a: The limits on updates to payment rates under the sustainable growth rate (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 period of overriding the reductions in payment rates for physician services that are scheduled under current law.												
0% Update for 2011	9.2	16.6	14.9	11.3	8.4	5.7	3.4	1.6	-0.7	-3.7	60.4	66.6
0% Update for 2011 and 2012	9.2	19.3	19.3	15.5	12.8	10.2	8.1	6.3	4.3	1.4	76.0	106.2
0% Update for 2011, 2012, and 2013	9.2	19.3	22.2	19.9	17.4	15.0	12.9	11.3	9.5	6.7	87.9	143.4
MEI Update for 2011	9.4	17.0	15.4	11.7	8.8	6.1	3.9	2.1	-0.2	-3.2	62.4	71.1
MEI Update for 2011 and 2012	9.4	20.1	20.3	16.4	13.8	11.3	9.2	7.4	5.4	2.6	80.0	115.9
MEI Update for 2011, 2012, and 2013	9.4	20.1	23.6	21.4	19.0	16.6	14.6	13.0	11.3	8.6	93.4	157.5
2% Update for 2011	9.8	17.8	16.2	12.5	9.7	7.0	4.8	3.0	0.8	-2.2	66.0	79.4
2% Update for 2011 and 2012	9.8	21.4	22.0	18.1	15.5	13.1	11.0	9.3	7.4	4.6	86.8	132.0
2% Update for 2011, 2012, and 2013	9.8	21.4	26.0	24.0	21.7	19.5	17.5	16.0	14.4	11.8	102.9	182.1

continued

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Continued

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2011-2015	2011-2020
<u>Options that Replace or Restructure the SGR</u>												
0% Update Through at Least 2020	9.2	19.3	22.2	22.8	25.2	27.9	30.9	34.9	39.6	43.8	98.7	275.8
MEI Update Through at Least 2020	9.4	20.1	23.6	24.8	28.3	32.6	37.6	43.8	51.2	58.5	106.2	329.9
2% Update Through at Least 2020	9.8	21.4	26.0	28.1	32.6	37.7	43.3	50.2	58.4	66.6	117.9	374.2
"Reset" SGR Targets at 2009 Spending Level ^b	9.4	19.6	21.6	20.7	20.8	20.3	19.6	19.6	20.4	21.7	92.0	193.6

Estimate of the adjustment for current policy for Medicare physician payments under Statutory Pay-As-You-Go (S-PAYGO). The estimate includes a freeze on payment rates for the remaining months of 2010, which is reflected in the totals.

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2010-2015	2010-2020
0% Update for five years 2010-2014; cliff: 30% reduction in 2015	2.7	13.0	19.3	22.2	22.8	8.5	0.0	0.0	0.0	0.0	0.0	88.5	88.5

Source: Congressional Budget Office.

Notes:

Estimates are based on the Congressional Budget Office's March 2010 baseline adjusted to reflect the changes enacted by the Patient Protection and Affordable Care Act ("PPACA"; Public Law 111-148) and the Health Care and Education Reconciliation Act of 2010 ("HCERA"; Public Law 111-152).

Components may not add to totals because of rounding.

Medicare Economic Index (MEI)	0.7%	0.8%	0.7%	0.9%	1.3%	1.7%	1.8%	1.8%	1.8%	1.8%
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Net federal outlays include the effect on fee-for-service Medicare spending, payments to Medicare Advantage plans, Part B premiums, Medicaid payments to primary care providers, and TRICARE for Life. Interactions with the savings projected to result from actions of the Independent Payment Advisory Board (IPAB) are not included.

^a Clawback options could come with recoupment or 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 (longer than 10 years), a "with recoupment" provision would have a cumulative cost of approximately zero.

The clawback options shown here are "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, the 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.)

^b This option would forgive all spending that has accrued above the cumulative targets and set both the cumulative target and cumulative spending to zero as of December 31, 2009. It would use calendar year 2010 as the base period for future application of the SGR.