

Today, March 20, 2010, Democratic leadership released their Manager's Amendment to the amendment in the nature of a substitute to H.R. 4872, the *Reconciliation Act of 2010*. The Manager's Amendment makes numerous policy and technical changes (including changing the title of the Reconciliation bill from the "Health Care and Education Affordability Reconciliation Act of 2010" to the "Health Care and Education Reconciliation Act of 2010"). CBO estimates that these changes would reduce the cost of coverage provisions from \$940 billion to \$938 billion during 2010-2019 and would increase the on-budget deficit reduction from \$65 billion to \$114 billion. Significant changes include:

- ***New Payment for Certain Hospitals:*** The Manager's Amendment spends \$400 million in FY 2011 and 2012 for "qualifying hospitals" that are located in a county where spending for Medicare Part A and Part B ranks in the lowest quartile. This is a new spending provision for hospital grants likely intended for rural areas. Rep. Braley claimed in a press release that this provision will help Iowa.
- ***Strikes a fraud-reduction provision:*** The Manager's Amendment strikes a provision that was introduced in the Reconciliation bill, which would have allowed CMS and the IRS to share data to identify medical providers who are committing fraud.
- ***Changes the terminology "Medicare tax" to "unearned income Medicare contribution:"*** The Manager's Amendment, in addition to renaming the bill, changes the name of a new Medicare tax on investment income to an "unearned income Medicare contribution."
- ***Exposes the Social Security Trust Fund:*** The Manager's Amendment strikes the Reconciliation bill's provision to "hold harmless" the Social Security Trust Fund from any changes in the health bill.
- ***Donut Hole:*** The Medicare Part D prescription drug benefit provides financial help to seniors who take prescription drugs and limits out-of-pocket costs to a certain dollar amount, which grows annually at a rate set in law. The Manager's Amendment lowers the rate-of-growth of this maximum out-of-pocket amount.
- ***Medicare Advantage:*** The Manager's Amendment makes a technical change to the statutory formula used to calculate annual payment changes for participating private insurance plans. We do not have a detailed projection of the cost of this provision.
- ***Tax Changes:*** The Manager's Amendment makes several changes to the tax-collection provisions including (1) lowering the amount of money collected from brand-name pharmaceutical drugs in 2012 and 2014 and increasing the amount collected in 2017 and 2018 and (2) lowering the tax rate on certain medical devices (except eyeglasses, contact lenses, hearing aids, and other devices determined by the Secretary) from 2.9% in the reconciliation bill to 2.3%, and applies this tax to Class I devices (e.g., tongue depressors, BAND-AIDs, bedpans, examination gloves, and hand-held surgical instruments).
- ***Student Aid:*** The Manager's Amendment removes two provisions in the Reconciliation bill – an authorization of \$13.5 billion in student financial assistance and the "Bismarck Bank Job" exemption for North Dakota's state-owned bank.