

Proposals Affecting Medicare—CBO’s Estimate of the President’s Fiscal Year 2019 Budget

Medicare is the federal health insurance program for people who are 65 or older, for younger people with certain disabilities, and for people of any age with end-stage renal disease. The program has three principal components: Part A (Hospital Insurance), Part B (Medical Insurance, which covers doctors’ services, outpatient care, home health services, and other medical services), and Part D (which covers outpatient prescription drugs). Nearly all Medicare beneficiaries enroll in the program soon after they become eligible, typically either at age 65 or two years after they qualify for Social Security Disability Insurance benefits. Part A benefits are paid from the Hospital Insurance Trust Fund (funded largely through payroll taxes); Part B and Part D benefits are paid from the Supplementary Medical Insurance Trust Fund (about 25 percent funded by premiums paid by enrollees and about 75 percent funded from general revenues).

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May 30, 2018

Millions of Dollars, by Fiscal Year

| | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2019-2023 | 2019-2028 |
|--|------|------|------|------|------|------|------|------|------|------|-----------|-----------|
|--|------|------|------|------|------|------|------|------|------|------|-----------|-----------|

Increases or Decreases (-) in Direct Spending Outlays^a

| | | | | | | | | | | | | |
|---|---|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|----------|
| 1. Authorize the HHS Secretary to leverage Medicare Part D plans' negotiating power for certain drugs covered under Part B | (b) | (b) | (b) | (b) | (b) | (b) | (b) | (b) | (b) | (b) | | |
| 2. Permanently authorize a successful pilot on retroactive Medicare Part D coverage for low-income beneficiaries | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 3. Increase flexibility in the Medicare Part D plan formulary | 0 | -420 | -590 | -680 | -670 | -650 | -740 | -790 | -840 | -960 | -2,360 | -6,340 |
| 4. Eliminate cost-sharing on generic drugs for low-income beneficiaries | 0 | 1,400 | 2,000 | 2,300 | 2,100 | 1,900 | 2,200 | 2,300 | 2,300 | 2,200 | 7,800 | 18,700 |
| 5. Require Medicare Part D plans to apply a substantial portion of rebates at the point of sale | 0 | 2,500 | 3,400 | 3,900 | 4,300 | 4,700 | 5,200 | 5,800 | 6,500 | 7,100 | 14,100 | 43,400 |
| 6. Exclude manufacturer discounts from the calculation of beneficiary out-of-pocket costs in the Medicare Part D coverage gap | 0 | -3,900 | -5,500 | -5,800 | -6,200 | -6,600 | -7,000 | -7,400 | -7,800 | -8,300 | -21,400 | -58,500 |
| 7. Establish a beneficiary out-of-pocket maximum in the Medicare Part D catastrophic phase | 0 | -50 | -90 | -140 | -170 | -170 | -200 | -210 | -220 | -250 | -450 | -1,500 |
| 8. Address abusive drug pricing by manufacturers by establishing an inflation limit for reimbursement of Medicare Part B drugs | 0 | 0 | -50 | -95 | -120 | -150 | -200 | -240 | -300 | -370 | -265 | -1,525 |
| 9. Improve manufacturers' reporting of average sales prices to set accurate payment rates | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 10. Modify payment for drugs hospitals that purchase through the 340B discount program and require a minimum level of charity care in order for hospitals to receive a payment adjustment related to uncompensated care | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 11. Reduce wholesale acquisition cost-based payments (WAC) | 0 | -9 | -13 | -15 | -15 | -15 | -20 | -20 | -20 | -25 | -52 | -152 |
| 12. Reform exclusivity for first generics to spur greater competition and access | (b) | (b) | (b) | (b) | (b) | (b) | (b) | (b) | (b) | (b) | | |
| 13. Require plan participation in a program to prevent prescription drug abuse in Medicare Part D | * | -6 | -6 | -7 | -7 | -7 | -8 | -9 | -9 | -11 | -26 | -70 |
| 14. Consolidate graduate medical education payments (c) | 0 | -13,200 | -13,900 | -14,600 | -15,400 | -16,200 | -17,000 | -17,800 | -18,900 | -19,900 | -57,100 | -146,900 |
| 15. Reduce Medicare coverage of bad debts | 0 | -440 | -1,300 | -3,000 | -3,900 | -4,100 | -4,600 | -4,900 | -5,300 | -5,900 | -8,640 | -33,440 |
| 16. Modify payments to hospitals for uncompensated care (c) | 0 | -13,900 | -14,800 | -16,300 | -17,000 | -17,500 | -19,200 | -20,300 | -21,400 | -23,600 | -62,000 | -164,000 |
| 17. Address excessive payment for post acute-care providers by implementing post-acute care reductions | 0 | -580 | -1,600 | -3,000 | -4,800 | -7,100 | -8,300 | -9,000 | -9,600 | -10,800 | -9,980 | -54,780 |
| 18. Pay all hospital-owned physician offices located off-campus at the physician office rate | -360 | -910 | -1,000 | -1,200 | -1,300 | -1,400 | -1,600 | -1,800 | -2,000 | -2,300 | -4,770 | -13,870 |
| 19. Address excessive hospital payments by reducing payment when a patient is quickly discharged to hospice | <i>Enacted in P.L. 115-123, the Bipartisan Budget Act of 2018</i> | | | | | | | | | | | |
| 20. Expand basis for beneficiary assignment for ACOs | 0 | 0 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 13 | 35 |
| 21. Allow ACOs to cover the cost of primary care visits to encourage use of the ACO's providers | <i>Enacted in P.L. 115-123, the Bipartisan Budget Act of 2018</i> | | | | | | | | | | | |
| 22. Expand the ability of MA organizations to pay for services delivered via telehealth | <i>Enacted in P.L. 115-123, the Bipartisan Budget Act of 2018</i> | | | | | | | | | | | |
| 23. Require prior authorization when physicians order certain services excessively relative to their peers | 0 | -10 | -10 | -10 | -10 | -10 | -10 | -10 | -10 | -10 | -40 | -90 |
| 24. Reform and expand competitive bidding for durable medical equipment | 0 | 0 | 0 | 130 | 170 | 170 | 200 | 200 | 210 | 250 | 300 | 1,330 |
| 25. Reform physician self-referral law to better support and align with alternative payment models and to address overutilization | (b) | (b) | (b) | (b) | (b) | (b) | (b) | (b) | (b) | (b) | | |
| 26. Allow coordinated reviews by federal/state agencies of marketing materials for dual-eligible Special Needs Plans | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

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|---|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|-----------------|-----------------|
| 27. Improve appeals notifications for dual-eligible individuals in integrated health plans | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 28. Clarify the Part D special enrollment period for dual-eligible beneficiaries | 0 | -20 | -25 | -25 | -30 | -30 | -30 | -35 | -35 | -40 | -100 | -270 |
| 29. Rescind funding from the Medicare Improvement Fund | <i>Enacted in P.L. 115-123, the Bipartisan Budget Act of 2018</i> | | | | | | | | | | | |
| 30. Allow Medicare beneficiaries with high-deductible health plans to make tax-deductible contributions to Health Savings Accounts and Medical Savings Accounts (d) | 0 | 0 | 0 | 10 | 20 | 20 | 20 | 30 | 40 | 40 | 30 | 180 |
| 31. Repeal the Independent Payment Advisory Board (IPAB) | <i>Enacted in P.L. 115-123, the Bipartisan Budget Act of 2018</i> | | | | | | | | | | | |
| 32. Suspend coverage and payment for questionable Part D prescriptions and incomplete clinical information | 0 | -1 | -1 | -1 | -1 | -1 | -1 | -1 | -1 | -1 | -4 | -9 |
| 33. Prevent abuse of Medicare coverage when another source has primary responsibility for prescription drug coverage | 0 | -5 | -5 | -5 | -5 | -5 | -5 | -5 | -5 | -5 | -20 | -45 |
| 34. Expand prior authorization to additional Medicare fee-for-service items at high risk of fraud, waste, and abuse | (b) | (b) | (b) | (b) | (b) | (b) | (b) | (b) | (b) | (b) | | |
| 35. Prevent fraud by enforcing reporting of enrollment changes through civil monetary penalties for providers and suppliers who fail to update enrollment records (d) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 36. Allow revocation and denial of provider enrollment based on affiliation with a sanctioned entity | 0 | 0 | -6 | -6 | -6 | -6 | -6 | -6 | -6 | -11 | -18 | -53 |
| 37. Reform medical liability, Medicare effect only (c) | -120 | -1,100 | -2,900 | -5,000 | -5,100 | -5,300 | -5,900 | -6,300 | -6,800 | -7,600 | -14,220 | -46,120 |
| 38. Extend Joint Committee sequestration (e) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 7,000 | -18,400 | 0 | -11,400 |
| 39. Extend Medicare enrollment assistance programs through 2019 | <i>Enacted in P.L. 115-123, the Bipartisan Budget Act of 2018</i> | | | | | | | | | | | |
| 40. Improve the Medicare appeals system | 170 | 210 | 220 | 220 | 120 | 120 | 120 | 120 | 120 | 120 | 940 | 1,540 |
| 41. Prevent abusive prescribing by establishing HHS reciprocity with the Drug Enforcement Agency to terminate provider prescribing authority | 0 | -3 | -4 | -4 | -4 | -4 | -4 | -4 | -4 | -4 | -15 | -35 |
| 42. Provide comprehensive coverage of substance abuse treatment in Medicare | 0 | 0 | 30 | 12 | 3 | 3 | 3 | 2 | 2 | 1 | 46 | 57 |
| 43. Medicare Interactions | 0 | 150 | 220 | 210 | 210 | 200 | 190 | 170 | 150 | 140 | 790 | 1,640 |
| Total Changes in Unified-Budget Direct Spending | -310 | -30,294 | -35,926 | -43,101 | -47,810 | -52,131 | -56,887 | -60,203 | -56,924 | -88,631 | -157,441 | -472,218 |

Increases or Decreases (-) in Revenues^{c, f}

| | | | | | | | | | | | | |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|---------------|---------------|---------------|---------------|
| 30. Allow Medicare beneficiaries with high-deductible health plans to make tax-deductible contributions to Health Savings Accounts and Medical Savings Accounts (d) | | | | | | | | | | | | |
| On-budget | -210 | -376 | -416 | -455 | -496 | -541 | -589 | -702 | -810 | -881 | -1,952 | -5,475 |
| Off-budget | -100 | -178 | -195 | -212 | -231 | -252 | -274 | -297 | -323 | -350 | -915 | -2,411 |
| 35. Prevent fraud by enforcing reporting of enrollment changes through civil monetary penalties for providers and suppliers who fail to update enrollment records (d) | 2 | 2 | 3 | 3 | 3 | 3 | 4 | 4 | 4 | 4 | 13 | 32 |
| Total Changes in On-Budget Revenues | -208 | -374 | -413 | -452 | -493 | -538 | -585 | -698 | -806 | -877 | -1,939 | -5,443 |
| Total, Changes in Unified-Budget Revenues | -307 | -552 | -608 | -663 | -724 | -790 | -859 | -995 | -1,129 | -1,227 | -2,854 | -7,854 |

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|--|------|------|------|------|------|------|------|------|------|------|-----------|-----------|
|--|------|------|------|------|------|------|------|------|------|------|-----------|-----------|

Net Increase or Decrease (-) in the Deficit from Direct Spending and Revenues

| | | | | | | | | | | | | |
|--|------|---------|---------|---------|---------|---------|---------|---------|---------|---------|----------|----------|
| Changes in On-Budget Deficits | -103 | -29,920 | -35,513 | -42,649 | -47,318 | -51,593 | -56,301 | -59,505 | -56,118 | -87,754 | -155,502 | -466,774 |
| Total, Changes in Unified-Budget Deficits | -3 | -29,742 | -35,318 | -42,438 | -47,087 | -51,341 | -56,027 | -59,208 | -55,796 | -87,404 | -154,587 | -464,363 |

Memorandum:

14. Consolidate GME payments, effect on health programs

| | | | | | | | | | | | | |
|-----------------------|----------|-------------|-------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|----------------|
| Medicaid | 0 | -1,600 | -1,730 | -1,850 | -1,980 | -2,120 | -2,260 | -2,400 | -2,540 | -2,670 | -7,160 | -19,150 |
| Medicare | 0 | -13,220 | -13,930 | -14,680 | -15,470 | -16,290 | -17,100 | -17,840 | -18,970 | -19,960 | -57,300 | -147,460 |
| New combined GME pool | 0 | 14,540 | 14,760 | 14,980 | 15,200 | 15,420 | 15,630 | 15,840 | 16,060 | 16,280 | 59,480 | 138,710 |
| Total Outlays | 0 | -280 | -900 | -1,550 | -2,250 | -2,990 | -3,730 | -4,400 | -5,450 | -6,350 | -4,980 | -27,900 |

16. Modify payments to hospitals for uncompensated care, effect on health programs

| | | | | | | | | | | | | |
|-----------------------------|----------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|----------------|----------------|
| Medicare | 0 | -9,030 | -9,460 | -9,960 | -10,560 | -11,170 | -11,760 | -12,340 | -12,900 | -13,770 | -39,010 | -100,950 |
| New uncompensated care pool | 0 | 6,350 | 6,510 | 6,670 | 6,840 | 7,000 | 7,170 | 7,340 | 7,510 | 7,690 | 26,370 | 63,080 |
| Total Outlays | 0 | -2,680 | -2,950 | -3,290 | -3,720 | -4,170 | -4,590 | -5,000 | -5,390 | -6,080 | -12,640 | -37,870 |

37. Reform medical liability - effect on health programs (g)

| | | | | | | | | | | | | |
|---|-------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|----------------|----------------|----------------|----------------|
| Outlays | | | | | | | | | | | | |
| Medicaid | -42 | -369 | -1,018 | -1,653 | -1,764 | -1,881 | -1,999 | -2,117 | -2,241 | -2,364 | -4,846 | -15,448 |
| Medicare | -120 | -1,100 | -2,900 | -5,000 | -5,100 | -5,300 | -5,900 | -6,300 | -6,800 | -7,600 | -14,220 | -46,120 |
| Other health programs (h) | -11 | -44 | -115 | -189 | -199 | -209 | -228 | -239 | -249 | -269 | -558 | -1,752 |
| Total Outlays | -173 | -1,513 | -4,033 | -6,842 | -7,063 | -7,390 | -8,127 | -8,656 | -9,290 | -10,233 | -19,624 | -63,320 |
| Revenues | | | | | | | | | | | | |
| On-budget | -118 | -10 | 131 | 413 | 501 | 505 | 538 | 648 | 697 | 712 | 917 | 4,017 |
| Off-budget | * | 78 | 135 | 245 | 284 | 292 | 303 | 315 | 330 | 344 | 743 | 2,328 |
| Total Revenues | -118 | 69 | 267 | 658 | 785 | 797 | 842 | 964 | 1,027 | 1,056 | 1,660 | 6,345 |
| Changes in On-Budget Deficits | -54 | -1,496 | -4,146 | -7,225 | -7,532 | -7,861 | -8,630 | -9,267 | -9,948 | -10,904 | -20,453 | -67,063 |
| Changes in Unified Budget Deficits | -55 | -1,582 | -4,300 | -7,500 | -7,848 | -8,187 | -8,969 | -9,620 | -10,317 | -11,289 | -21,284 | -69,665 |

Components may not sum to totals because of rounding. * = an increase or decrease of less than \$500,000.

- (a) Medicare provisions include interactions with MA payments, the effect on Medicare Part A and B premiums, and TRICARE.
- (b) Not enough information to estimate.
- (c) Medicare effects are shown in the table; effects on other health programs and revenues are shown in the memorandum.
- (d) Proposal would affect both direct spending and revenues, which are shown separately.
- (e) P.L. 115-123 extended sequestration to 2027; this estimate would extend to 2028.
- (f) For revenues, positive numbers indicate a decrease in the deficit and negative numbers indicate an increase in the deficit.
- (g) Proposal would affect both direct spending and revenues.
- (h) Other health programs includes the Federal Employees Health Benefits program, DoD health plans, and marketplaces established under the Affordable Care Act.

ACOs = Accountable Care Organizations; DoD = Department of Defense; GME = graduate medical education; HHS = Department of Health and Human Services; MA = Medicare Advantage; TRICARE = the health plan operated by the Department of Defense.