

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

NOTE: All options assume payment rates are held at the current level for the second half of calendar year 2008.

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2008- 2013 | 2008- 2018 |
|---|------|------|------|------|------|------|------|------|------|------|------|---------------|---------------|
| <u>Options Not Subject to Being Recouped by the SGR Mechanism a/</u> | | | | | | | | | | | | | |
| 0 Percent Update for the Second Half of 2008 only (<i>this is assumed in each option</i>) and Reduce Payment Rates by about 15 Percent in 2009 to Hold Future Rates at Current- Law Levels b/ | 1.5 | 0.6 | 0.0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2.1 | 2.1 |
| 0 Percent Update 2009 and Reduce Payment Rates by about 20 Percent in 2010 to Hold Future Rates at Current-Law Levels b/ | 1.5 | 4.4 | 2.1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 8.1 | 8.1 |
| 0 Percent Update for 2009 and 2010 and Reduce Payment Rates by about 24 Percent in 2011 to Hold Future Rates at Current-Law Levels b/ | 1.5 | 4.4 | 8.9 | 2.9 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 17.8 | 17.8 |
| 1 Percent Update in 2009, and Reduce Payment Rates by about 21 Percent in 2010 to Hold Future Rates at Current-Law Levels b/ | 1.5 | 4.7 | 2.2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 8.4 | 8.4 |
| 1 Percent Update in 2009 and 2010 and Reduce Payment Rates by about 26 Percent in 2011 to Hold Future Rates at Current-Law Levels b/ | 1.5 | 4.7 | 9.7 | 3.2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 19.1 | 19.1 |
| MEI Update in 2009, and Reduce Payment Rates by about 21 Percent in 2010 to Hold Future Rates at Current-Law Levels b/ | 1.5 | 4.9 | 2.4 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 8.7 | 8.7 |
| MEI Update in 2009 and 2010 and Reduce Payment Rates by about 27 Percent in 2011 to Hold Future Rates at Current-Law Levels b/ | 1.5 | 4.9 | 10.4 | 3.4 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 20.2 | 20.2 |
| 0 Percent Update Through at Least 2018 | 1.5 | 4.4 | 8.9 | 12.0 | 15.2 | 18.8 | 22.8 | 27.4 | 32.2 | 37.0 | 40.0 | 60.8 | 220.1 |
| 0 Percent Update Through at Least 2018 and Premium Hold-Harmless c/ | 1.5 | 5.7 | 11.4 | 15.2 | 19.3 | 23.8 | 28.9 | 34.6 | 40.6 | 46.7 | 50.4 | 76.9 | 278.2 |
| 1 Percent Update Through at Least 2018 | 1.5 | 4.7 | 9.7 | 13.3 | 17.2 | 21.5 | 26.4 | 32.0 | 37.9 | 44.0 | 48.4 | 67.9 | 256.7 |
| 1 Percent Update Through at Least 2018 and Premium Hold-Harmless c/ | 1.5 | 6.0 | 12.4 | 17.0 | 21.8 | 27.3 | 33.5 | 40.5 | 47.9 | 55.6 | 61.1 | 86.0 | 324.5 |
| MEI Update Through at Least 2018 | 1.5 | 4.9 | 10.4 | 14.3 | 18.6 | 23.5 | 29.1 | 35.8 | 43.0 | 50.5 | 56.7 | 73.1 | 288.1 |
| MEI Update Through at Least 2018 and Premium Hold-Harmless c/ | 1.5 | 6.2 | 13.2 | 18.2 | 23.6 | 29.9 | 36.9 | 45.2 | 54.2 | 63.8 | 71.5 | 92.5 | 364.3 |
| "Reset" SGR Targets at 2008 Spending Level d/ | 1.5 | 3.6 | 7.8 | 10.5 | 12.5 | 14.5 | 17.1 | 20.5 | 24.1 | 27.9 | 29.7 | 50.5 | 169.8 |
| "Reset" SGR Targets at 2008 Spending Level and Premium Hold-Harmless c,d/ | 1.5 | 4.6 | 10.0 | 13.4 | 15.9 | 18.4 | 21.7 | 25.9 | 30.5 | 35.2 | 37.4 | 63.8 | 214.5 |

continued

Estimated Changes in Net Federal Outlays from Alternative Proposals for Changing Physician Payment Rates
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Continued

NOTE: All options assume payment rates are held at the current level for the second half of calendar year 2008.

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2008- 2013 | 2008- 2018 |
|---|------|------|------|------|------|------|------|------|------|------|------|---------------|---------------|
| <u>Options Subject to Being Recouped by the SGR Mechanism a/</u> | | | | | | | | | | | | | |
| 0 Percent Update for the Second Half of 2008 only | 1.5 | 1.7 | 2.3 | 2.3 | 2.3 | 2.4 | 2.5 | 2.6 | 2.7 | 2.7 | 0.3 | 12.6 | 23.4 |
| 0 Percent Update for 2009 | 1.5 | 4.4 | 7.1 | 7.3 | 7.4 | 7.6 | 7.9 | 8.3 | 8.6 | 8.8 | 6.6 | 35.4 | 75.5 |
| 0 Percent Update for 2009 and Premium Hold-Harmless c/ | 1.5 | 5.7 | 9.1 | 9.2 | 9.4 | 9.7 | 10.0 | 10.5 | 10.9 | 11.1 | 8.3 | 44.6 | 95.3 |
| 0 Percent Update for 2009, and 2010 | 1.5 | 4.4 | 8.9 | 10.0 | 10.1 | 10.4 | 10.8 | 11.3 | 11.8 | 12.1 | 10.0 | 45.4 | 101.3 |
| 0 Percent Update for 2009, and 2010 and Premium Hold-Harmless c/ | 1.5 | 5.7 | 11.4 | 12.6 | 12.9 | 13.3 | 13.7 | 14.3 | 14.9 | 15.2 | 12.6 | 57.3 | 128.1 |
| 1 Percent Update in 2009 | 1.5 | 4.7 | 7.6 | 7.7 | 7.9 | 8.1 | 8.4 | 8.8 | 9.2 | 9.3 | 7.2 | 37.5 | 80.3 |
| 1 Percent Update in 2009, and Premium Hold-Harmless c/ | 1.5 | 6.0 | 9.6 | 9.8 | 10.0 | 10.3 | 10.7 | 11.1 | 11.6 | 11.8 | 9.0 | 47.3 | 101.5 |
| 1 Percent Update in 2009 and 2010 | 1.5 | 4.7 | 9.7 | 10.9 | 11.1 | 11.5 | 11.9 | 12.4 | 12.9 | 13.2 | 11.2 | 49.4 | 111.1 |
| 1 Percent Update in 2009 and 2010 and Premium Hold-Harmless c/ | 1.5 | 6.0 | 12.4 | 13.9 | 14.1 | 14.6 | 15.1 | 15.7 | 16.3 | 16.7 | 14.1 | 62.5 | 140.5 |
| MEI Update in 2009 | 1.5 | 4.9 | 7.9 | 8.1 | 8.3 | 8.5 | 8.8 | 9.2 | 9.6 | 9.8 | 7.6 | 39.2 | 84.2 |
| MEI Update in 2009 and Premium Hold-Harmless c/ | 1.5 | 6.2 | 10.1 | 10.3 | 10.5 | 10.8 | 11.2 | 11.7 | 12.1 | 12.4 | 9.6 | 49.4 | 106.4 |
| MEI Update in 2009 and 2010 | 1.5 | 4.9 | 10.4 | 11.7 | 11.9 | 12.2 | 12.7 | 13.3 | 13.8 | 14.1 | 12.1 | 52.5 | 118.5 |
| MEI in 2009 and 2010 and Premium Hold-Harmless c/ | 1.5 | 6.2 | 13.2 | 14.8 | 15.1 | 15.6 | 16.1 | 16.8 | 17.4 | 17.8 | 15.3 | 66.4 | 149.8 |

Source: Congressional Budget Office

Notes: Estimates are based on the Congressional Budget Office's March 2008 baseline.

MEI = Medicare Economic Index; SGR = sustainable growth rate; "Net Federal Outlays" includes the effect on fee-for-service Medicare spending, interactions with payments to Medicare Advantage plans and Part B premiums (unless otherwise noted), and TRICARE for Life.

a/ By default, the SGR mechanism will not recoup the additional spending that results from legislation that changes payment rates for physicians' services unless that legislation also specifies that the change is not to be treated as a change in law or regulation.

b/ These options would allow for a larger reduction in payment rates that would otherwise be permitted by the SGR formula in the year immediately following the increase.

c/ Proposals that include a "premium hold-harmless" provision would exclude increases or decreases in spending attributable to them from calculations of the Part B Premium.

d/ This option would forgive all spending that has accrued above the cumulative targets and set both the cumulative target and cumulative spending to zeros as of December 31, 2007, using calendar year 2008 as the base period for future application of the SGR.