

February 11, 2003

Honorable Don Nickles  
Chairman  
Committee on the Budget  
United States Senate  
Washington, DC 20510

Dear Mr. Chairman:

The Congressional Budget Office has reviewed the following provision, which we understand may be included in the omnibus appropriations bill. This provision applies to the rates paid to physicians for services they provide to Medicare beneficiaries:

Section 1848(i)(1)(C) of the Social Security Act (42 U.S.C. 1395w-4(i)(1)(C)) is amended to read as follows:

“(C) the determination of conversion factors under subsection (d), including without limitation a prospective redetermination of the sustainable growth rates for any or all previous fiscal years,”.

Under current law, there can be no administrative or judicial review of actions taken by the Secretary of Health and Human Services to determine the conversion factors used to calculate the rates for Medicare payments to physicians. This provision would clarify that such determinations include any prospective redeterminations of the sustainable growth rates (SGRs) for any or all previous fiscal years—that is, that any such redeterminations of SGRs would not be subject to administrative or judicial reviews.

CBO believes that this provision would not provide the Administration with any additional legal authority to modify the physician fee schedule, but there have been indications that the Administration would use this provision as the basis for raising the rates for Medicare payments to physicians. Based on recent statements by Administration officials, CBO now believes it is likely that the enactment of this provision would result in the correction of forecast

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errors in the physician fee schedule for fiscal years 1998 and 1999. We expect that the correction would replace the currently scheduled 4.4 percent reduction in payment rates with an increase of 1.6 percent. As a result, CBO estimates that enactment of the provision would increase federal spending for Medicare by about \$800 million in 2003, \$22 billion over the fiscal years 2003 through 2008, and \$54 billion over the 2003-2013 period.

If you would like further details about this estimate, we would be pleased to provide them. The CBO staff contact is Tom Bradley.

Sincerely,

Douglas Holtz-Eakin  
Director

cc: Honorable Kent Conrad  
Ranking Member

Honorable Ted Stevens  
Chairman, Committee on Appropriations

Honorable Robert C. Byrd  
Ranking Minority Member

Honorable Charles E. Grassley  
Chairman, Committee on Finance

Honorable Max Baucus  
Ranking Democratic Member

Identical letter sent to Honorable Jim Nussle

February 11, 2003

Honorable Jim Nussle  
Chairman  
Committee on the Budget  
U.S. House of Representatives  
Washington, DC 20515

Dear Mr. Chairman:

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Sincerely,

Douglas Holtz-Eakin  
Director

cc: Honorable John M. Spratt, Jr.  
Ranking Member

Honorable C. W. Bill Young  
Chairman, Committee on Appropriations

Honorable David R. Obey  
Ranking Democrat

Honorable W. J. "Billy" Tauzin  
Chairman, Committee on Energy and Commerce

Honorable John D. Dingell  
Ranking Member

Honorable William "Bill" M. Thomas  
Chairman, Committee on Ways and Means

Honorable Charles B. Rangel  
Ranking Democrat

Identical letter sent to Honorable Don Nickles