



June 24, 2008

Honorable John D. Dingell
Chairman
Committee on Energy
and Commerce
U.S. House of Representatives
Washington, DC 20515

Dear Mr. Chairman:

The Congressional Budget Office has prepared the enclosed table summarizing the budgetary effects of an amendment in the nature of a substitute to H.R. 6331, the Medicare Improvements for Patients and Providers Act of 2008. CBO estimates that enacting H.R. 6331 with that proposed amendment would reduce direct spending by \$0.1 billion over the 2008-2013 period and increase direct spending by \$0.3 billion over the 2008-2018 period. In addition, the Joint Committee on Taxation estimates that enacting the bill would increase federal revenues by \$0.2 billion over the 2008-2013 period and by \$0.4 billion over the 2008-2018 period. In total, CBO estimates that the bill would reduce deficits (or increase surpluses) by \$0.3 billion over the 2008-2013 period and by less than \$50 million over the 2008-2018 period. (The five-year savings would decline to \$0.1 billion if the pending supplemental appropriations act is cleared before H.R. 6331.)

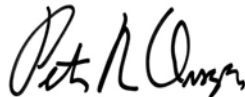
The bill would cancel a reduction in Medicare's physician fees scheduled to occur under current law on July 1, 2008. The bill would freeze those payments at their current levels for the remainder of the year and increase them by 1.1 percent in January 2009. Future payments beyond 2009 would revert to the levels under current law, necessitating a 21 percent reduction in payments under the physician fee schedule in 2010. The bill also would extend many expiring provisions in Medicare, expand Medicare's coverage of preventive services, and modify the rules governing eligibility for the Medicare Savings Program.

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New spending under the bill would be offset largely by reductions in payments to Medicare Advantage plans. The bill, with the proposed amendment, would phase out payments for indirect medical education made to plans and hospitals for Medicare Advantage enrollees, leaving in place the separate payments for indirect medical education made directly to teaching hospitals that treat Medicare Advantage enrollees. It also would require private fee-for-service plans to establish networks of providers, comparable to requirements for other Medicare Advantage plans, but with some exceptions, which CBO estimates would lead to decreases in enrollment and reduced outlays. Other savings would come from modifications to the Physician Assistance and Quality Initiative fund and changes to Medicare's payments for home oxygen therapy. In addition, the bill would delay a program of competitive bidding for durable medical equipment and reduce the Medicare payments for those items until the program is resumed.

I hope this information is helpful to you. The CBO staff contact for further information is Tom Bradley.

Sincerely,

A handwritten signature in black ink, appearing to read "Peter R. Orszag".

Peter R. Orszag
Director

Enclosure

cc: Honorable Joe Barton
Ranking Member

Identical letter sent to the Honorable Charles B. Rangel.

CBO Estimate for an Amendment in the Nature of a Substitute for H.R. 6331, the Medicare Improvements for Patients and Providers Act of 2008; (H6331_SUS, June 23, 2008)

Figures are outlays, by fiscal year, in BILLIONS of dollars.

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2008- 2013	2008- 2018
CHANGES IN DIRECT SPENDING													
TITLE I - MEDICARE													
Subtitle A. Beneficiary Improvements													
PART I - PREVENTION, MENTAL HEALTH, AND MARKETING													
101 Improvements to coverage of preventive services.	0	*	0.1	0.3	0.5	0.5	0.6	0.8	0.9	1.0	1.2	1.4	5.9
102 Elimination of discriminatory copayment rates for Medicare outpatient psychiatric services.	0	0	*	0.1	0.1	0.2	0.4	0.5	0.5	0.5	0.6	0.5	3.0
103 Prohibitions and limitations on certain sales and marketing activities under Medicare Advantage plans and prescription drug plans.	0	0	0	0	0	0	0	0	0	0	0	0	0
104 Improvements to the Medigap program.	0	0	0	0	0	0	0	0	0	0	0	0	0
PART II - LOW-INCOME PROGRAMS													
111 Extension of qualifying individual (QI) program.	0.1	0.3	0.1	0	0	0	0	0	0	0	0	0.5	0.5
112 Application of full LIS subsidy assets test under Medicare Savings Program.	0	0.1	0.2	0.3	0.4	0.7	0.8	0.9	1.1	1.3	1.4	1.6	7.0
113 Eliminating barriers to enrollment.				--- Included in the estimate for section 112 ---									
114 Elimination of Medicare part D late enrollment penalties paid by subsidy eligible individuals.	0	*	*	*	*	*	*	*	0	0	0	0.1	0.1
115 Eliminating application of estate recovery.	0	0	*	*	*	*	*	*	*	*	*	*	0.1
116 Exemptions from income and resources for determination of eligibility for low-income subsidy.				--- Included in the estimate for section 112 ---									
117 Judicial review of decisions of the Commissioner of Social Security under the Medicare part D low-income subsidy program.	0	0	0	0	0	0	0	0	0	0	0	0	0
118 Translation of model form.				--- Included in the estimate for section 112 ---									
119 Medicare enrollment assistance.				--- Included in the estimate for section 112 ---									

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	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2008- 2013	2008- 2018
Subtitle B. Provisions Relating to Part A													
121 Expansion and extension of the Medicare Rural Hospital Flexibility Program.	*	0	0	0	0	0	0	0	0	0	0	*	*
122 Rebasing for sole community hospitals.	0	*	*	*	*	*	*	*	*	*	*	0.1	0.3
123 Demonstration project on community health integration models in certain rural counties.	0	0	0	0	0	0	0	0	0	0	0	0	0
124 Extension of the reclassification of certain hospitals.	0	0.2	*	0	0	0	0	0	0	0	0	0.3	0.3
125 Revocation of unique deeming authority of the Joint Commission.	0	0	0	0	0	0	0	0	0	0	0	0	0
Subtitle C. Provisions Relating to Part B													
PART I - PHYSICIANS' SERVICES													
131 Physician payment, efficiency, and quality improvements.	1.5	5.8	2.4	0	0	-3.3	-1.9	0	0	0	0	6.4	4.5
132 Incentives for electronic prescribing.	0	0	0.1	0.1	*	-0.2	-0.3	-0.3	-0.3	-0.3	-0.2	-0.1	-1.4
133 Expanding access to primary care services.	0	0.2	0.1	*	*	0	0	0	0	0	0	0.4	0.4
134 Extension of floor on Medicare work geographic adjustment under the Medicare physician fee schedule.	0.1	0.3	0.1	*	*	*	*	*	*	*	*	0.6	0.6
135 Imaging provisions.	0	0	*	*	0	0	0	0	0	0	0	*	*
136 Extension of treatment of certain physician pathology services under Medicare.	*	0.1	*	0	0	0	0	0	0	0	0	0.1	0.1
137 Accommodation of physicians ordered to active duty in the Armed Services.	*	*	*	*	*	*	*	*	*	*	*	*	*
138 Adjustment for Medicare mental health services	*	*	0	0	0	0	0	0	0	0	0	*	*
139 Improvements for Medicare anesthesia teaching programs.	0	0	*	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.5

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	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2008-2013	2008-2018
PART II - OTHER PAYMENT AND COVERAGE IMPROVEMENTS													
141 Extension of exceptions process for Medicare therapy caps.	0.1	0.7	0.4	0	0	0	0	0	0	0	0	1.2	1.2
142 Extension of payment rule for brachytherapy and therapeutic radiopharmaceuticals.	*	*	*	0	0	0	0	0	0	0	0	*	*
143 Speech-language pathology services.	0	*	*	*	*	*	*	*	*	*	*	*	0.1
144 Payment and coverage improvements for patients with chronic obstructive pulmonary disease and other conditions.	0	0	*	*	*	*	0.1	0.1	0.1	0.1	0.1	0.2	0.5
145 Clinical laboratory tests.	0	*	-0.1	-0.1	-0.2	-0.2	-0.2	-0.3	-0.3	-0.3	-0.3	-0.6	-2.0
146 Improved access to ambulance services.	*	0.1	*	0	0	0	0	0	0	0	0	0.1	0.1
147 Extension and expansion of the Medicare hold harmless provision under the prospective payment system for hospital outpatient department (HOPD) services for certain hospitals.	*	0.1	*	0	0	0	0	0	0	0	0	0.1	0.1
148 Clarification of payment for clinical laboratory tests furnished by critical access hospitals.	0	*	*	*	*	*	*	*	*	0.1	0.1	0.1	0.3
149 Adding certain entities as originating sites for payment of telehealth services.	0	*	*	*	*	*	*	*	*	*	*	*	0.1
150 MedPAC study and report on improving chronic care demonstration programs.	0	0	0	0	0	0	0	0	0	0	0	0	0
151 Increase of FQHC payment limits.	0	0	*	*	*	*	*	*	*	*	*	0.1	0.1
152 Kidney disease education and awareness provisions.	0	0	*	*	*	*	*	*	*	*	*	*	*
153 Renal dialysis provisions.	0	*	0.1	-0.1	-0.1	*	0.1	0.2	0.3	0.5	0.6	-0.1	1.5
154 Delay in and reform of Medicare DMEPOS competitive acquisition program.	*	-0.2	0.1	0.3	*	-0.2	-0.1	*	0.1	*	*	*	*

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	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2008- 2013	2008- 2018
Subtitle D. Provisions Relating to Part C													
161 Phase-out of indirect medical education (IME).	0	0	-0.7	-2.9	-3.8	-5.1	-5.8	-6.4	-7.6	-7.6	-7.6	-12.5	-47.5
162 Revisions to requirements for Medicare Advantage private fee-for-service plans.													
				--- Included in the estimate for section 161 ---									
163 Revisions to quality improvement programs.	0	0	0	0	0	0	0	0	0	0	0	0	0
164 Revisions relating to specialized Medicare Advantage plans for special needs individuals.	0	0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	*	*	0.2	0.5
165 Limitation on out-of-pocket costs for dual eligibles and qualified medicare beneficiaries enrolled in a specialized Medicare Advantage plan for special needs individuals.	0	0	0	0	0	0	0	0	0	0	0	0	0
166 Adjustment to the Medicare Advantage stabilization fund.	0	0	0	0	0	-1.3	-0.4	0	0	0	0	-1.3	-1.8
167 Access to Medicare reasonable cost contract plans.	0	0	*	*	0	0	0	0	0	0	0	*	*
168 MedPAC study and report on quality measures.	0	0	0	0	0	0	0	0	0	0	0	0	0
169 MedPAC study and report on Medicare Advantage payments.	0	0	0	0	0	0	0	0	0	0	0	0	0
Subtitle E. Provisions Relating to Part D													
PART I - IMPROVING PHARMACY ACCESS													
171 Prompt payment by prescription drug plans and MA-PD plans under part D.	0	0	*	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.7
172 Submission of claims by pharmacies located in or contracting with long-term care facilities.	0	0	0	0	0	0	0	0	0	0	0	0	0
173 Regular update of prescription drug pricing standard.	0	0	0	0	0	0	0	0	0	0	0	0	0

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PART II - OTHER PROVISIONS													
175 Inclusion of barbiturates and benzodiazepines as covered part D drugs.	0	0	0	0	0	0.1	0.2	0.2	0.2	0.2	0.2	0.1	1.1
176 Formulary requirements with respect to certain categories or classes of drugs.	0	0	0	0	0	0	0	0	0	0	0	0	0
Subtitle F. Other Provisions													
181 Use of part D data.	0	0	0	0	0	0	0	0	0	0	0	0	0
182 Revision of definition of medically accepted indication for drugs.	0	*	*	*	*	*	*	*	*	*	*	*	*
183 Contract with a consensus-based entity regarding performance measurement.	0	*	*	*	*	0	0	0	0	0	0	*	*
184 Cost-sharing for clinical trials.	0	*	*	*	*	*	*	*	*	*	*	0.1	0.1
185 Addressing health care disparities.	0	0	0	0	0	0	0	0	0	0	0	0	0
186 Demonstration to improve care to previously uninsured.	0	0	*	*	*	0	0	0	0	0	0	*	*
187 Office of the Inspector General report on compliance with and enforcement of national standards on culturally and linguistically appropriate services (CLAS) in Medicare.	0	0	*	*	*	*	0	0	0	0	0	*	*
188 Medicare Improvement Funding.	0	*	*	*	*	*	4.6	7.1	7.1	4.3	0.9	0.1	24.2
189 Inclusion of Medicare providers and suppliers in Federal Payment Levy and Administrative Offset program.													
													no effect on outlays, effects on federal revenues shown below.
TITLE II - MEDICAID													
201 Extension of transitional medical assistance (TMA) and abstinence education program.	*	0.6	0.4	*	*	*	*	*	*	*	*	1.0	1.0
202 Medicaid DSH extension.	*	*	*	0	0	0	0	0	0	0	0	0.1	0.1
203 Pharmacy reimbursement under Medicaid.	0	0.1	0	0	0	0	0	0	0	0	0	0.1	0.1
204 Review of administrative claim determinations.	0	0	0	0	0	0	0	0	0	0	0	0	0
205 County medicaid health insuring organizations.	0	*	*	*	*	*	*	*	*	*	*	-0.1	-0.2
TITLE III - MISCELLANEOUS													
301 Extension of TANF supplemental grants.	0	0.2	0.1	*	*	0	0	0	0	0	0	0.3	0.3
302 70 percent federal matching for foster care and adoption assistance for the District of Columbia.	0	*	*	*	*	*	*	*	*	*	*	*	0.1
303 Extension of Special Diabetes Grant Programs.	0	0	0.1	0.3	0.2	*	0	0	0	0	0	0.6	0.6
304 IOM reports on best practices for conducting systematic reviews of clinical effectiveness research and for developing clinical protocols.	0	*	*	0	0	0	0	0	0	0	0	*	*

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	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2008-2013	2008-2018
Interactions													
Medicare Advantage interactions /1	0	0	1.1	0.3	0.2	0.1	0.2	0.3	0.4	0.5	0.5	1.8	3.7
Premium interactions /1	0	-2.2	-1.2	-0.4	-0.1	-0.1	-0.2	-0.3	-0.4	-0.5	-0.6	-4.1	-6.0
102 Mental Health Parity - Medicaid Interaction	0	0	*	*	*	*	*	*	*	*	*	*	-0.2
132 Electronic prescribing - Part D Interaction	0	*	*	*	*	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.7
Total, Changes in Direct Spending	1.9	6.5	3.7	-1.4	-2.5	-8.4	-1.7	3.0	2.4	-0.2	-3.0	-0.1	0.3

CHANGES IN FEDERAL REVENUES

189 Medicare payment levy /2	*	*	*	*	*	*	*	*	*	*	*	0.2	0.4
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CHANGES IN DEFICITS OR SURPLUSES

Total, Changes /3	1.9	6.5	3.6	-1.4	-2.5	-8.4	-1.8	3.0	2.3	-0.2	-3.1	-0.3	*
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MEMORANDUM

Total changes in the deficit assuming enactment of the provision of H.R. 2642, the Supplemental Appropriations Act of 2008, that modifies the Physician Assistance and Quality Initiative fund.

	1.9	6.5	3.6	-1.4	-2.5	-8.2	-1.8	2.9	2.3	-0.2	-3.1	-0.1	*
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Notes:

* = cost or savings of less than \$50 million.

DMEPOS = durable medical equipment, prosthetics, orthotics, and supplies; FQHC = federally qualified health centers; LIS = low-income subsidy;

MA-PD = Medicare Advantage-prescription drug.

1. The Medicare Advantage and premium interactions reflect the effect on payments to Medicare Advantage plans and premium receipts, respectively, of changes in Medicare spending in the fee-for-service sector. They include the effects of all fee-for-service provisions except changes in funding for the Physician Assistance and Quality Initiative fund (in section 131) and the Medicare Improvement fund (in section 188). Those effects are included in the estimates for those sections. Likewise, the effects on premium receipts of changes in payments in the Medicare Advantage sector are included in the estimates for provisions that affect Medicare Advantage plans.
2. Estimated by the Joint Committee on Taxation.
3. The estimated net effect on the deficit over the 2008-2018 period is a reduction of less than \$50 million. (All of the estimated changes are on-budget. There are no estimated changes in Social Security spending or revenues.) Positive numbers indicate increases in the deficit (or decreases in the surplus); negative numbers indicate the opposite.