

HEALTH CARE REFORM AND THE BUDGET: A USER GUIDE

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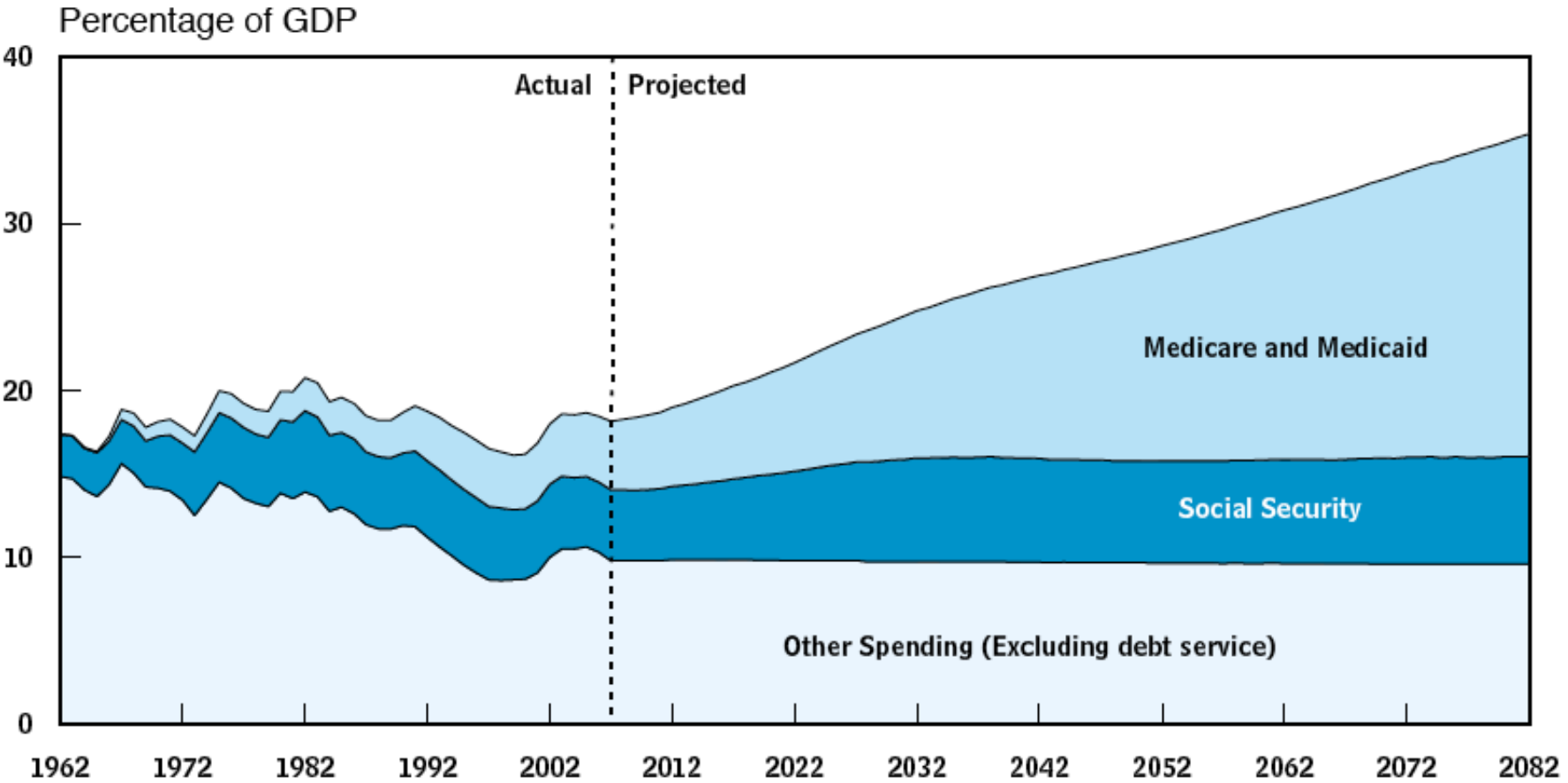
Georgetown Public Policy Institute

dmarron.com

Health: the largest budget category

- \$1 trillion annually
- Largest category of federal spending
 - \$700 billion on Medicare & Medicaid in '09
 - Plus veterans, public health, etc.
- Largest tax expenditure
 - \$250+ billion, primarily the tax exclusion for employer-sponsored insurance

The long-run challenge



Health care reform and the budget

- Many different cost and budget measures
- Much confusion, often unnecessary
- This presentation focuses on 10-year budget impacts as estimated by CBO (\$ billions)
- Other important issues:
 - Budget impacts beyond ten years
 - Budget impacts on states, companies, individuals
 - Benefits (e.g., increased coverage)

Gross vs. net coverage costs

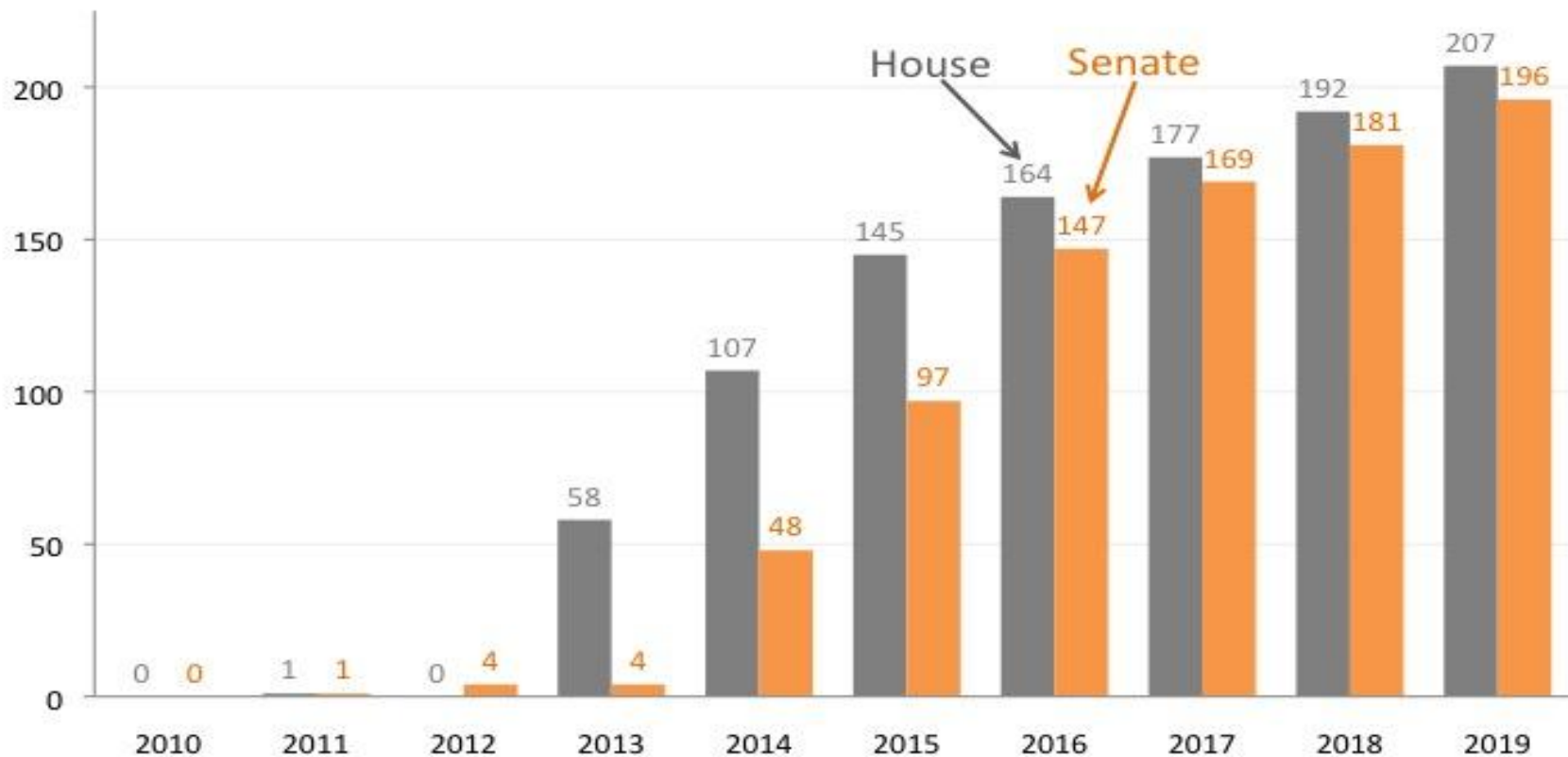
	House	Senate
Medicaid & CHIP	425	374
Exchange subsidies & related	602	447
Small employer tax credits	25	27
= Gross Cost of Coverage	1,052	848
- Penalties	168	36
- Tax on “Cadillac” plans	0	149
- Other revenue	6	64
= Net Cost of Coverage	891	599

Timing matters

House Coverage Provisions Start in 2013; Senate 2014

Annual gross cost of coverage provisions, 2010-2019 (\$ billions)

Source: Congressional Budget Office; dmarron.com



The bills have other costs

	House	Senate
Gross Cost of Coverage	1,052	848
+ Other new health spending	218	92
= Total Cost of the Bill	1,270	940

The dreaded doctor “fix”

- Medicare rates for doctors are scheduled to decline 21% at the end of the year
- House: stand-alone bill with permanent “fix” at cost of \$200+ B
- Senate: Health bill includes one-year “fix” at a cost of \$11 B

Federal commitment to health care

	House	Senate
Total Cost of the Bill	1,270	940
- Reductions in health spending	640	510
- Tax on “Cadillac” plans	--	150
- Other tax expenditure cuts	30	120
= Net change in commitment	600	160

Other tax increases

	House	Senate
Surtax on high incomes	460	--
Higher Medicare payroll tax	--	54
Insurers & manufacturers	20	102
Other	90	82
Total: Other tax increases	570	238

The CLASS Act “gimmick”

	House	Senate
Net deficit reduction	138	130
- CLASS Act cash flows	102	72
= Net net deficit reduction	36	58

Premiums start before outlays, so program appears to save money at first.

Will the offsets happen?

The legislation would put into effect a number of procedures that might be difficult to maintain over a long period of time. ... The long-term budgetary impact could be quite different if key provisions of the bill were ultimately changed or not fully implemented.

CBO, Analysis of Senate Bill, 11/18/09