Reducing Health Care Costs

- **Medium Term:** Fully offset the cost of the "Doc Fix" by asking doctors and other health providers, lawyers, and individuals to take responsibility for slowing health care cost growth. Offsets include:
  - Pay doctors and other providers less, improve efficiency, and reward quality by speeding up payment reforms and increasing drug rebates
  - Pay lawyers less and reduce the cost of defensive medicine by adopting comprehensive tort reform
  - Expand cost-sharing in Medicare to promote informed consumer health choices and spending
  - Expand successful cost containment demonstrations
  - Strengthen IPAB
  - Recommend additional health savings (illustrative examples to follow)
- **Long Term:** Contain growth in total federal health spending to GDP+1% after 2020 by establishing a process to regularly evaluate cost growth, and take additional steps as needed if projected savings do not materialize

Paying for the "Doc Fix"

- **Pay doctors, other health providers, and drug companies less and improve efficiency and quality**
  - Replace cuts required by SGR through 2015 with modest reductions while directing CMS to establish a new payment system, beginning in 2015, to reduce costs and improve quality.
  - Require rebates for brand-name drugs as a condition of participating in Medicare Part D.
- **Increase cost-sharing in Medicare**
  - Eliminate first-dollar coverage in Medigap plans.
  - Replace existing cost-sharing rules with universal deductible, single coinsurance rate, and catastrophic cap for Medicare Part A and Part B.
- **Pay lawyers less and reduce the cost of defensive medicine**
  - Enact comprehensive medical malpractice liability reform to cap non-economic and punitive damages and make other changes in tort law.

DRAFT

Health Care Savings to Pay for the Doc Fix

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2011-2015	2011-2020
Reform the Sustainable Growth Rate*	*0*	*0*	*-3*	*-3*	***-3***	*-3*	*-3*	*-3*	*-3*	*-3*	*-10*	*-24*
Require Drug Rebate Payments	*0*	*0*	*-5*	*-5*	***-6***	*-7*	*-8*	*-9*	*-10*	*-11*	*-15*	*-59*
Expand Cost Sharing in Medicare and Create a Cap on Catastrophic Costs	*0*	*0*	*-7*	*-9*	***-9***	*-10*	*-11*	*-12*	*-13*	*-14*	*-25*	*-85*
Limit Medigap Cost-Sharing Coverage (Including Interaction w/ Above Provision)	*0*	*0*	*-3*	*-5*	***-5***	*-6*	*-7*	*-7*	*-8*	*-9*	*-13*	*-50*
Enact Comprehensive Tort Reform	*-1*	*-2*	*-4*	*-6*	***-7***	*-8*	*-8*	*-8*	*-9*	*-10*	*-21*	*-64*
Total Deficit Reduction	-1	-2	-22	-28	**-30**	-33	-37	-39	-43	-47	-83	-282
*Memo: Cost of Physician Pay Freeze:	9	19	22	23	**25**	27	31	34	40	44	99	276

Numbers are FC staff estimates, based on CBO and other available estimates

Savings Beyond the Doc Fix

- **Expand Successful Cost-Containment Demonstration Projects by 2015**
- **Identify an additional $200 billion savings in federal health spending**
- **Strengthen the Independent Payment Advisory Board (IPAB)**
  - Include all providers (no carve-outs) and recommendations on benefit design and cost-sharing.
  - Improve savings targets to 1.5% starting in 2015.
  - Eliminate the trigger that could turn off IPAB in 2019.
  - Allow cost-savings recommendations even when spending does not exceed the target growth rate.
  - Allow proposals that apply reforms to health plans in the exchange.
  - Require affirmative Congressional approval of recommendations or alternative savings, with a “back-up sequester” increasing premiums and reducing provider payments if IPAB recommendations (or equivalent savings) are not adopted.

Illustrative Health Care Savings

	2015	2012-2020
Place Dual-Eligible Individuals in Medicaid Managed Care	-$1	-$11
Cut Medicare Payments for Bad Debt	-$2	-$15
Expand ACOs, Payment Bundling, and Other Payment Reform (require IPAB to recommend cuts if savings are not realized)	-$4	-$38
Cut Federal Spending on Graduate and Indirect Medical Education	-$6	-$54
Reduce Federal Spending on Medicaid Administrative Costs	-$2	-$17
Increase Nominal Medicaid Copays	-$2	-$15
Reduce Taxes that States May Levy on Medicaid Providers	-$6	-$49
Accelerate Phase-in of DSH Payment Cuts, Medicare Advantage Cuts and Home Health Cuts in PPACA	-$9	-$37
Reform Tricare for Life to Increase Cost Sharing for Military Retirees	-$5	-$55
Reform FEHB Retiree Plans to Increase Cost Sharing for Federal Civilian Retirees	-$1	-$12
Establish National Standards for Regulating and Administering Health Insurance	*	-$3
Convert The Federal Share Of Medicaid Payments For Long-Term Care Into a Capped Allotment	-$9	-$89

Numbers are FC staff estimates, based on CBO and other available estimates. Most numbers were generated pre-PPACA, and may differ significantly.

Long-Term Health Care Savings

- Set global target for total federal health expenditures after 2020 (Medicare, Medicaid, CHIP, exchange subsidies, employer health exclusion), and review costs every 2 years. Keep growth to GDP+1%.
- If costs have grown faster than targets (on average of previous 5 years), require President to submit and Congress to consider reforms to lower spending, such as:
  - Increase premiums (or further increase cost-sharing)
  - Overhaul the fee-for-service system
  - Develop a premium support system for Medicare
  - Add a robust public option and/or all-payer system in the exchange
  - Further expand authority of IPAB