The Strengths of the Senate Health Reform Bill

Congress Must Commit to Fiscal Responsibility by Controlling Health Care Costs

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Members of Congress who are weighing how to balance concerns about the long-term growth of the federal budget deficit, the exponential growth of health care costs, and the clear need for health system reform should consider the Senate health reform bill's significant strengths:

- Lower overall expenditures in tandem with deficit reduction
- New mechanisms for cost control that deliver immediate and long-term savings
- Delivery system reforms that engage private sector payers in lowering health care costs
- A stronger Medicare Part A trust fund that extends our ability to finance hospital care for seniors and people with disabilities

Each of these features will help provide the fiscal discipline we need to trim our nation's health care costs to the needs of our society. Let's examine each of these elements of the Senate-passed health care bill.

$330 billion less in new expenditures

The total cost of the coverage components of the Senate legislation—specifically the expansion of Medicaid eligibility, provisions related to the Children's Health Insurance Program, premium subsidies in the new health insurance exchange, and tax credits for small businesses that provide health care to their employees—are lower than in the House proposal. The Senate spends $871 billion on these provisions over 10 years, in comparison to the nearly $1.1 trillion under the House proposal over the same period.[1]

On this lower expenditure base, the Senate proposal will reduce the federal budget deficit by $132 billion over 10 years—nearly equivalent to the House proposal's projected $138 billion in deficit reduction.[2]

Cost-control infrastructure yields $28 billion in savings

The Senate bill includes two policy proposals that are central to controlling the growth of health care costs: the tax on high-cost health insurance plans, and the Independent Medicare Advisory Board. The tax on high-cost plans in the Senate bill would increase the incentives for firms that offer top-tier policies to choose higher value, lower cost coverage by increasing the threshold for the tax more slowly than the growth of health care costs. Should the start date or the initial threshold for the tax change, then the tax will still make a major contribution to cost control with this index factor.

The Independent Medicare Advisory Board will be a critical piece of the cost-control infrastructure. Board members, including physicians, economists, employers, and others with expertise in health care payment and service delivery, will be tasked with developing proposals designed to achieve specified reductions in Medicare spending. The secretary of health and human services will be required to implement these proposals unless Congress acts to block their adoption.[3]

The board's proposals will interact with and build upon the payment reform provisions featured in both the Senate and House reform bills. According to the Congressional Budget Office, the board will save an additional $28 billion in Medicare spending over 10 years.[4] Further, the board's impact on cost growth will extend beyond public programs to address the entire health care system, with its authority to develop recommendations for cost-control strategies in the private sector.

Both the tax on high-cost plans and the Independent Medicare Advisory Board will strengthen the long-term payment and delivery reform strategies in the House and Senate bills. By creating targets and mechanisms to assure that reforms are actually achieved, they assure effective cost containment even beyond the 10-year budget window.

Delivery system reforms

With the exception of these two cost-savings provisions detailed above, the CBO has trained a skeptical eye on health reform legislation's ability to control federal health care costs. While the CBO has not scored significant federal savings from these delivery systems proposals, the Senate bill includes provisions designed to transform health care payment and delivery that represent a step beyond the House proposals.

The Senate bill, for example, favors new health care provider organizations that work in tandem with new payment arrangements for Medicare *and* private sector payers and extends access to Medicare provider performance data to guide private payers' payment reform efforts.[5] As important as reforms within Medicare and Medicaid will be to control-

ling the growth of health care costs, if payment reform is expected to create new incentives for providers to improve efficiency and deliver higher-quality care for lower cost then these reforms cannot be limited to the public sector.

The Senate bill explicitly includes private sector innovation in its proposals for payment and delivery system reform. This is a critical component to the overall reform of our health care system.

Strengthening the Medicare Part A trust fund through 2019

The Senate bill also strengthens the Medicare Part A Trust Fund, which covers the cost of inpatient care in hospitals, skilled nursing facilities, and other institutions for people with Medicare coverage. CBO currently estimates that the Part A trust fund will exhaust its assets in fiscal year 2016. Under the Senate bill, new payroll tax receipts and lower Medicare Part A spending would enable this trust fund to maintain a positive balance past the end of fiscal year 2019.[6]

A clear choice

In sum, the Senate bill offers a strong platform for reducing the federal budget deficit and controlling the growth of health care costs while exposing taxpayers to less risk in terms of new federal investments in health care coverage. For members of Congress who care about fiscal discipline and controlling the growth of health care costs, this bill offers a clear path forward to systemic health reform.

Endnotes

1 Congressional Budget Office, Letter to Senator Harry Reid, December 19, 2009, available at http://cbo.gov/ftpdocs/108xx/doc10868/12-19-Reid_Letter_Managers_Correction_Noted.pdf; Congressional Budget Office, Letter to Representative John D. Dingell, November 20, 2009, available at http://cbo.gov/ftpdocs/107xx/doc10741/hr3962Revised.pdf.

2 Ibid.

3 *Patient Protection and Affordable Care Act,* H.R. 3590, as passed by the Senate on December 24, 2009, available at http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=111_cong_bills&docid=f:h3590eas.txt.pdf.

4 Congressional Budget Office, Letter to Senator Harry Reid.

5 *Patient Protection and Affordable Care Act.*

6 Congressional Budget Office, Director's Blog, "Effects of the Patient Protection and Affordable Care Act on the Federal Budget and the Balance in the Hospital Insurance Trust Fund," December 23, 2009, available at http://www.cbo.gov/ftpdocs/108xx/doc10868/12-23-Trust_Fund_Accounting.pdf.