THE COMMITTEE FOR A
RESPONSIBLE FEDERAL BUDGET

The PREP Plan:
Paying for Reform and Extension Policies

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Introduction

In the coming months, Congress and the President will face a number of important decisions with significant fiscal implications. Specifically, they must decide how to address "Sustainable Growth Rate" (SGR) cuts, which threaten to significantly reduce Medicare physician payments next April, and 55 "tax extenders" that expired at the end of last year.

If policymakers address these two issues irresponsibly, they could add up to $1 trillion to the debt over the next decade. Yet policymakers could also use these moments to make a down payment toward tax and entitlement reforms that slow health care cost growth, speed economic growth, and help put the debt on a sustainable long-term path.

To responsibly address the Sustainable Growth Rate, policymakers should:

- Permanently replace the SGR with a value-based payment system
- Fully offset any costs relative to current law
- Enact offsets that bend the health care cost curve and are gimmick-free

To responsibly address the expired tax extenders, policymakers should:

- Address most tax extenders permanently in the context of tax reform
- Fully offset the cost of any continued extenders without undermining tax reform
- Include a fast-track process to achieve comprehensive tax reform

There are many ways to achieve these goals. ***The Paying for Reform and Extension Policies (PREP) Plan*** represents one such approach. We assume, but don't endorse, the Tricommittee SGR bill and two years of tax extenders and propose $170 billion of SGR offsets that bend the health care cost curve, $83 billion of extender offsets that improve tax compliance, and a fast-track process for tax reform. Offsets would total $250 billion over ten years.

Figure 1: Summary of the PREP Plan (Billions over ten years)

Enact Tricommittee SGR Reform	$170b	Extend "Tax Extenders" To 2015	$83b
Reform Provider Incentives	-$80b	Improve Tax Enforcement	-$35b
Reform Beneficiary Incentives	-$80b	Close Tax Avoidance Loopholes	-$45b
Reduce Medicaid Costs	-$10b	Restrict Inversions	-$3b
Total Offsets	-$170b	Total Offsets	-$83b
Set Up Fast-Track Process for Comprehensive Tax Reform			TBD
Total Ten-Year Deficit Impact: $0 billion			

Replacing the SGR with Cost-Saving Reforms

Under current law, Medicare physicians face a reduction of nearly one-quarter in their reimbursements at the end of March 2015 as a result of the Sustainable Growth Rate (SGR) formula. Avoiding this steep cut permanently will cost between $130 billion and $170 billion over the next decade, excluding interest – or $15 billion to $20 billion if avoided for only one year.

The SGR was created in 1997 to control the growth of physician spending in Medicare by setting and enforcing annual expenditure targets. However, the SGR has failed to directly control costs and, since 2003, Congress has continuously waived cuts designed to enforce expenditure targets through regular "doc fixes" that leave larger cuts for another day.

Each of these "doc fixes" adds to Medicare spending, but the vast majority have been offset with other cuts to health care spending, including a number of small structural curve-bending changes. By our analysis,[1] doc fixes have been offset 98 percent of the time since 2004, mostly with alternative health savings. In other words, the SGR has helped to indirectly control Medicare costs by providing a means for lawmakers to enact important, if small, health care reforms driven by the need to offset the cost of doc fixes.

1 Read more in our blog, Actually, The SGR Has Slowed Health Care Cost Growth

Still, it would be far preferable to replace the SGR once and for all with a more stable payment system that itself encourages higher quality and lower-cost care, accompanied with offsetting reforms that do the same.

Congress has a "Tricommittee SGR reform" plan for a new payment model with steady pay increases through 2018, merit-based pay after that, and incentives for physicians to move toward value-based payment models. Though imperfect, this plan represents a significant improvement over the SGR. However, it costs $170 billion over a decade.

Since the SGR has been effective in forcing policy actions to control Medicare spending, any legislation repealing the SGR and replacing it with a new payment system must include savings to offset its cost.

Principles for SGR Reform

In our view, SGR reform should reflect the following principles:

1. **Permanently replace the SGR with a value-based payment system.** *Lawmakers should pay physicians under a new formula that rewards high-quality and low-cost care, building on the Tricommittee framework Congress has developed.*

2. **Fully offset any costs relative to current law.** B*ecause the SGR holds down Medicare costs, replacing it comes with a significant price – between $130 and $170 billion depending on the details. These costs must be offset, rather than added to the national debt.*

3. **Enact offsets that bend the health care cost curve and are gimmick-free.** *The need to identify substantial Medicare and Medicaid savings also provides an opportunity to change incentives within the health care system in order to slow the long-term growth of health care spending. Policymakers should pursue policies that do just that, and avoid gimmicks that purport to generate savings through various budgetary slights of hand.*

The PREP Plan for SGR Reform

In designing *The Paying for Reform and Extension Policies (PREP) Plan*, we assume Congress will fully enact the Tricommittee bill along with a permanent package of "health extenders" that have been routinely continued one year at a time. In total, this would cost roughly $170 billion over the next decade, before interest. *Note we are not endorsing this particular bill.*

The PREP Plan calls for $170 billion of offsetting reforms to reduce federal health care spending and help bend the cost curve. The Medicaid portion of the "health extenders" could be offset by modestly limiting a growing gimmick in the Medicaid program. *The PREP Plan* generates half of the remaining savings by improving provider incentives and the other half by improving beneficiary incentives. Many of these reforms would help reduce excessive health care utilization – the original goal of the SGR. Importantly, beneficiary incentives in this plan would be designed to help *reduce* average out-of-pocket costs, saving money for both beneficiaries and the Medicare program.

Figure 2: The PREP Plan for SGR Reform

Policy	Ten-Year Cost
Enact Tricommittee SGR Reform and Extend Health Extenders	**$170 billion**
Reform Provider Incentives	**$80 billion**
Expand the use of bundled payments	-$40 billion
Encourage low-cost physician-administered drugs	-$10 billion
Reduce preventable readmissions and unnecessary complications	-$10 billion
Equalize payments for similar services performed in different settings	-$20 billion
Reform Beneficiary Incentives	**-$80 billion**
Modernize Medicare Part A and Part B Cost-Sharing Rules	†
Provide Reduced Cost-Sharing for Low-Income Seniors	†
Restrict First-Dollar Coverage for Medigap Plans	†
Encourage Cash Out of Employer Retiree Health Plans	†
Reduce Medicaid Costs	**-$10 billion**
Restore provider tax threshold to 5.5%	-$10 billion
Expand waivers for Medicaid cost-control	*
Total Offsets	**-$170 billion**

†Due to interactions, policies cannot be scored on an individual basis

*less than $500 million in costs or savings

The PREP Plan for SGR Reform (cont.)

Improve Provider Incentives ($80 billion)

- ***Expand the use of bundled payments ($40 billion).*** For the most part, Medicare pays each provider separately for its contribution to a single episode of care, creating incentives for each provider to increase utilization and providing no incentive to coordinate services. Offering a single "bundled payment" per episode of care could instead encourage hospitals and post-acute care providers to improve coordination and maximize cost-effectiveness of care based on a patient's needs. Although bundled payments are rare today, they are an important stepping stone to alternative payment models, such as Accountable Care Organizations (ACOs), that reward higher-quality, coordinated care. *The PREP Plan* would eventually mandate bundled payments for the inpatient stay and 90 days of post-acute care for a number of conditions,[2] while also effectively using these bundles to reduce identified overpayments in post-acute care.
- ***Encourage low-cost physician-administered drugs ($10 billion).*** Physician-administered drugs are reimbursed at the Average Sales Price (ASP) plus 6 percent, which incentivizes physicians to use the most expensive, rather than most effective, drug available. *The PREP Plan* would instead pay doctors the ASP plus a flat fee – equivalent to about 3 percent of ASP, on average, today – thereby encouraging doctors to use the best, rather than the most expensive, drug for their patients.
- ***Reduce preventable readmissions and unnecessary complications ($10 billion).*** The Affordable Care Act includes a Hospital Readmissions Reduction Program, which penalizes hospitals for high readmission rates for certain medical conditions. *The PREP Plan* would expand the penalties to more medical conditions and types of providers and increase the maximum penalty amounts. In addition, the ACA's penalties for hospital-acquired conditions could be expanded to include more avoidable complications.
- ***Equalize payments for similar services performed in different settings ($20 billion).*** Medicare often pays vastly different rates for similar health care services based on the setting in which they are performed. In some cases, this disparity is warranted, but in many, there is no additional value to the service being performed in a more intensive setting. *The PREP Plan* would equalize payments at the level of the lowest-cost site for certain services that are performed both in a hospital outpatient department and in a physician's office. This reform would complement efforts to encourage care coordination without increasing cost, and would reduce the incentive for hospitals to buy freestanding physician offices to generate higher Medicare reimbursements.

Improve Beneficiary Incentives ($80 billion)

- ***Modernize Medicare Part A and Part B cost-sharing rules:*** Parts A and B of Medicare have many different rules for deductibles, coinsurance, and copays. *The PREP Plan* would make cost-sharing rules more straightforward by creating a combined deductible of about $600, combined coinsurance of 20 percent for most services above the deductible, and a roughly $6,000 limit on out-of-pocket costs. The new deductible could be phased in gradually for existing beneficiaries and would not apply to physician visits. Annual physicals and certain preventative services would also remain free of charge. Although the exact details could be adjusted, this approach would greatly simplify cost-sharing rules, improve incentives for cost control, and for the first time limit out-of-pocket costs, protecting seniors against the risk of medical bankruptcy.[3]

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2 For more information, see CBO's Budget Option, Bundle Medicare's Payments to Health Care Providers

3 CRFB will follow this with a more fleshed out cost-sharing plan, including savings and distributional analysis.

The PREP Plan for SGR Reform (cont.)

- ***Provide reduced cost-sharing for low-income seniors:*** To provide further relief to low-income seniors, the above policies would come with an income-adjusted, out-of-pocket maximum and deductible. This would lower the deductible and out-of-pocket limit for those who need it, while keeping the co-insurance structure the same. To help finance this provision, high-income beneficiaries would be asked to pay a small 5 percent co-insurance, up to an additional $2,000 of costs above the standard out of pocket limit.
- ***Restrict first-dollar coverage for Medigap plans***: Medigap plans provide supplemental coverage for Medicare services, reducing cost-sharing for beneficiaries at the cost of high premiums. Unfortunately, not only do these plans encourage overutilization of care without proven health benefits, they are also often a bad deal for beneficiaries. According to one study, beneficiaries with Medigap plans pay on average $400 more per year than they would if Medigap were restricted. *The PREP Plan* would restrict Medigap coverage, along with the above cost-sharing reforms, so plans could no longer cover the new deductible and could cover only half of additional out-of-pocket costs (which the Medicare benefit redesign would limit).[4] This approach would save Medicare money due to lower utilization, while beneficiaries would save money on average through much lower Medigap premiums. Importantly, this approach could grandfather existing plans for a few years, possibly with a small premium surcharge to cover their additional cost to Medicare, and still generate significant savings.
- ***Encourage cash out of employer retiree health plans:*** Concerns about Medigap plans also apply to supplemental health plans that retirees get through their employers. *The PREP Plan* would enable employees to "cash out" the value of their retiree health plans in exchange for premium subsidies. It would encourage the shift by increasing Medicare premiums for those who continue to rely on wrap-around insurance with first-dollar coverage, to account for those plans' additional cost to Medicare. Like the Medigap policy, this would reduce cost-sharing coverage but would also significantly lower premiums.

Reduce Medicaid Costs ($10 billion):

- ***Restore provider tax threshold to 5.5 Percent ($10 billion).*** States are able to inflate their Medicaid costs by taxing health providers in order to distribute that money right back to providers and then receive a federal match on that distribution. Currently, this somewhat deceptive practice is limited to 6 percent of net patient revenue, up from 5.5 percent in 2011. *The PREP Plan* would restore the limit to 5.5 percent.
- ***Encourage states to experiment more with cost control.*** The federal government is not the only potential source of health care innovation. Indeed, some of the best ideas to slow cost growth and improve value could come from the states. This policy would expand Medicaid waiver authority to encourage more states to deliver Medicaid care through performance-based, coordinated models.

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4 Kaiser Family Foundation, "Medigap Reforms: Potential Effects of Benefit Restrictions on Medicare Spending and Beneficiary Costs," July 2011.

Addressing the Extenders, Promoting Tax Reform

A number of relatively small provisions collectively known as the "tax extenders" expired at the end of 2013. Most of these provisions are regularly extended for short periods of time. Doing so for 2014 (retroactively) and 2015 would cost about $83 billion before interest. Extending the normal tax extenders permanently would cost $445 billion, increasing to $690 billion if policymakers also continued "bonus depreciation," which was enacted during the recession to temporarily allow businesses to deduct investment costs more quickly.

The tax extenders include a hodgepodge of different types of tax breaks for businesses and individuals, ranging from the research and experimentation (R&E) tax credit to a deduction for teachers to buy school supplies to special depreciation for NASCAR tracks and racehorses.[5] Some of these provisions have important economic justifications; others less so. Although the provisions are already expired, they can be reinstated retroactively – though time is running out to do so without serious disruptions to the tax-filing season.

5 Read more detail about the expired provisions in our blog: The Tax Break-Down: Tax Extenders.

Congress is working on two tracks to address the tax extenders. The Senate has passed a two-year (2014 and 2015) extension of nearly all expired regular tax extenders, plus bonus depreciation, along with some very modest expansions. The House meanwhile has enacted permanent extensions – and in many cases large expansions – of select tax extenders, allowing the rest to expire. The Senate approach would cost $84 billion before interest (or $690 billion if continued permanently),[6] while the House approach would cost a combined $800 billion, including all expansions and new tax breaks. This amount of revenue loss would essentially counteract all revenue raised during the fiscal cliff negotiations at the end of 2012.[7]

6 Many tax extenders are enacted temporarily to hide their long-term costs. Congress only pays for a year or two at a time, unlike mandatory programs where scoring rules account for the next 10 years of costs. Since Congress has never paid for the full costs of extenders, the current law baseline assumes that they expire and add to the deficit when extended. For more information, see our blog Understanding the Difference Between Temporary and Permanent in Budget Scoring.

7 See more about the comparison with the fiscal cliff in our post, Want to Understand More About the Tax Extenders, Here's a Few Charts.

Principles for Addressing Tax Extenders

In our view, extenders legislation should reflect the following principles:

1. ***Address most tax extenders permanently in the context of tax reform.*** *With a few exceptions, there is little logic to writing tax policy one or two years at a time. Comprehensive tax reform should repeal, reform, or make permanent most tax extenders, and do so in the context of other decisions about tax rates, breaks, and the structure of the code. Certainly, no tax extender should be made permanent without offsets outside of comprehensive reform.*

2. ***Fully offset the cost of any continued extenders without undermining tax reform.*** *Unfortunately, policymakers have insufficient time to enact tax reform before needing to address the expired provisions. In the meanwhile, however, any extension should be fully paid for so as not to add to the debt, without undermining future tax reform efforts.*

3. ***Include a fast-track process to achieve comprehensive tax reform.*** *The need to act quickly is not an excuse to abandon efforts to reform a tax code that is complicated, anti-growth, and in many ways broken. Any temporary action on extenders should include a process to accelerate efforts to reach agreement on a plan that would broaden the tax base, lower rates, promote economic growth, and reduce the deficit.*

The PREP Plan for Tax Extenders and Tax Reform

The PREP Plan assumes policymakers will enact a clean two-year extension of all the expired regular extenders. We assume bonus depreciation, which was originally put in place to help strengthen the economy during the recession, remains expired. In total, this would cost about $83 billion over the next decade, before interest. *Note we are not endorsing this particular choice.*

The PREP Plan offsets this $83 billion cost by generating an equivalent amount of revenue and savings from refundable credits. To ensure this package does not interfere with decisions that should be made in tax reform, its policies increase tax compliance within the current confines of the tax code (or spirit thereof). In other words, the package does not adjust tax rates, change the design or size of any tax expenditure, or otherwise alter the structure of the code. Instead, it increases enforcement, improves rules, and closes loopholes so that individuals and businesses pay the taxes they should be paying under the current code. Many components of the plan have bipartisan support and draw from the President's budget or Ways & Means Chairman Dave Camp's (R-MI) Tax Reform Act.

The PREP Plan also includes a fast-track process for broader tax reform, and restricts "inversions" to allow time for that reform to be put into place.

Figure 3: The PREP Plan for Tax Extenders and Tax Reform

Policy	Ten-Year Cost
Extend "Tax Extenders" Through 2015	**$83 billion**
Improve Tax Reporting and Enforcement	**-$35 billion**
Increase program integrity spending	-$25 billion
Improve various reporting and enforcement rules	-$10 billion
Increase oversight and accountability of the IRS	*
Close Loopholes that Promote Tax Avoidance	**-$45 billion**
Close the "John Edwards/Newt Gingrich" S-Corp Loophole	-$15 billion
Close Carried Interest Loophole	-$10 billion
Tighten deduction limits for executive pay	-$10 billion
Close other loopholes which encourage evasion	-$10 billion
Restrict Inversions	**-$3 billion**
Restrict and reduce the profitability of inversions	-$3 billion
Enact one-year inversion ban	*
TOTAL OFFSETS	**-$83 billion**
Establish Fast-Track Process for Tax Reform	**TBD**

*less than $500 million in costs or savings

The PREP Plan for Tax Extenders, Tax Reform (cont.)

Promote Comprehensive Tax Reform

- ***Enact a "fast track" process for tax reform.*** The fact that a portion of the tax code regularly expires is just one of the many flaws of our current broken tax code. The code is complicated, comes with high compliance costs, treats similar people and businesses differently, favors some activities over others, creates distortions in the economy, and generally works to slow economic growth. Statutory income tax rates – particularly corporate rates – are relatively high, while we lose $1.2 trillion of annual revenue from tax breaks that are often expensive, regressive, and economically distorting. To address these and other concerns, policymakers should pursue a comprehensive tax reform that reduces and reforms tax preferences, simplifies the code, reduces rates, promotes competitiveness and economic growth, and raises revenue for deficit reduction.

  Although outgoing Chairman Camp has put forward a commendable tax reform bill – one that has many commonalities with proposals from the Obama administration – there is unfortunately not enough time to agree and pass a tax reform package into law before Congress must deal with the extenders. Therefore, <u>any extenders package should be accompanied with a fast-track process to encourage the development and passage of a bipartisan tax reform bill by the end of 2015, or when the temporary extenders expire</u>. The details of the fast-track process could be worked out between Congress and the President, but it should allow for business tax reform, individual tax reform, or both. It should also give policymakers the ability to accompany revenue from tax reform with additional entitlement savings.[8] *The PREP Plan* does not include a revenue target, leaving it to be negotiated either in the extenders or the tax reform process; but tax reform should absolutely not add to the current law deficit in this decade or in the future.

Improve Tax Reporting and Enforcement ($35 billion)

- ***Increase program integrity spending ($25 billion).*** The IRS has calculated that businesses and individuals underpaid their taxes by nearly $400 billion in 2006, suggesting a tax gap of $4 trillion to $6 trillion over the next decade. *The PREP Plan* reduces this gap by providing dedicated mandatory funding, on top of current funds, to increase the effectiveness of audits and enforcement by the IRS, potentially using private collectors as well. The IRS estimates every additional $1 spent on program integrity can generate $6 of revenue.[9] Even if IRS agents are not well liked, it is better to increase collection from those not currently paying the taxes they owe than to raise new taxes on those following the law.
- ***Improve various reporting and enforcement rules ($10 billion).*** A number of statutory changes can help to close the tax gap. These include policies to increase reporting for tuition and mortgages, clarify the statute of limitations for investment basis, allow withholding for contractors in certain cases, rearrange certain filing dates to make more sense, increase and index various tax penalties, streamline audit procedures for very large partnerships, give the IRS additional authority to collect various owed penalties, strengthen penalties and requirements around refundable credits, and revoke passports of those owing over $50,000 in back taxes.

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8 CRFB will follow this paper with a more detailed description of how a fast-track process for tax reform could work.

9 CBO estimates proposals like these can produce net savings of $25 to $30 billion. However, certain scoring rules prohibit CBO from formally "scoring" this change for PAYGO purposes. Policymakers could ensure this revenue was generated by making enforcement funding mandatory – subject to regular reauthorization – and requiring discretionary appropriations for IRS enforcement activities continue at current levels and "score" any appropriations bill which cuts funding below those levels with a revenue loss.

The PREP Plan for Tax Extenders, Tax Reform (cont.)

- ***Increase oversight and accountability of the IRS***. Given recent scandals at the IRS and the proposed new funding, *The PREP Plan* includes increased internal and external oversight over the IRS along with the new funding. Specifically, we recommend additional authority and resources for the inspector general, new rules to prevent politically motivated decision making, a review of how IRS chooses its cases, requirements for auditing agents to better track their actions, and other process improvements.

Close Loopholes that Promote Tax Avoidance

- ***Close the "John Edwards/Newt Gingrich" S-Corp loophole ($15 billion).*** Self-employed individuals can avoid paying payroll taxes by declaring some income as "business income" when it is clearly payment for their labor. *The PREP Plan* would set a consistent standard thus requiring these individuals to pay the payroll taxes they should owe.
- ***Close the carried interest loophole ($10 billion).*** Hedge fund and private equity partners often structure their payments to receive income as capital gains (at a lower rate) rather than as ordinary income. Since these payments are in exchange for services – not a return to investment – *The PREP Plan* ensures they are taxed as ordinary income.
- ***Tighten deduction limits for executive pay ($10 billion).*** Although normally a company can deduct the cost of wages as a business expense, the deduction is limited to $1 million for a company's highest-paid five employees. Currently companies use a variety of options to get around this limit such as offering stock options, performance bonuses, or deferred compensation. *The PREP Plan* would eliminate these exceptions.
- ***Close other loopholes which encourage evasion ($10 billion).*** On top of the above loopholes, individuals and businesses have a number of ways to avoid paying taxes as intended under current law. *The PREP Plan* closes a number of these loopholes by disallowing the deduction for shifting losses from organizations that don't pay taxes (like nonprofits or foreign companies) to ones that do, preventing investors from using shell companies to avoid tax, banning companies from borrowing to buy tax-exempt bonds to take double advantage of the interest-paid deduction and interest-received deduction, closing loopholes used by hedge funds and cruise ship companies to avoid paying taxes, and making other minor changes.

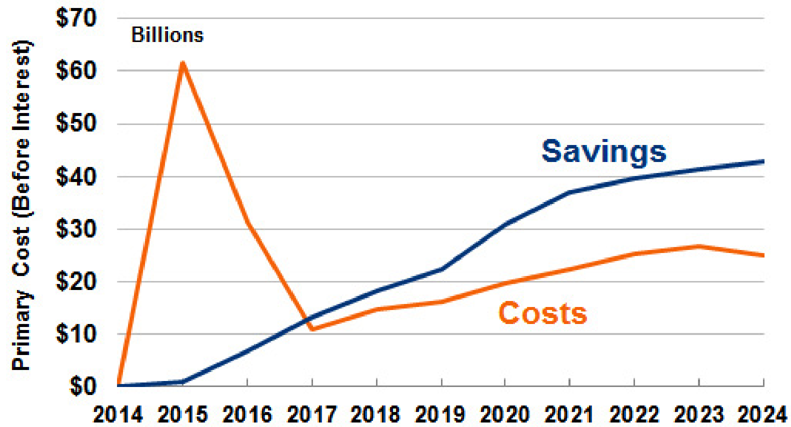
Restrict Inversions ($3 billion)

- ***Restrict and reduce the profitability of inversions ($3 billion).*** Recent months have seen a wave of corporate "tax inversions," where U.S. companies merge with a foreign corporation to move their headquarters overseas and avoid the high statutory U.S. tax rate on certain corporate income. While any long-term solution to inversions should be addressed in tax reform to change the incentives that companies face, *The PREP Plan* calls for one-year ban on inversions to give tax reform time to be written, along with a permanent limit on the practice of "earnings stripping" among inverted companies, preventing companies from deducting interest on intercompany loans designed to move income overseas.

Conclusion

The PREP Plan would prevent Congress from adding over $250 billion to the deficit while slowing health care cost growth, improving tax compliance, and encouraging the enactment of broader pro-growth tax reform. Roughly two-thirds of the savings would come from improving incentives in the health care system and one-third by increasing compliance with the current tax code.

Figure 4: The PREP Plan Savings Grow Over Time



*Costs exclude interest.

Moreover, unlike the costs they offset, *The PREP Plan* savings would grow over time. While non-interest costs would go from $60 billion in 2015 to $25 billion by 2024, the savings would rise from less than $1 billion in 2015 to above $40 billion by 2024 – and would continue to grow thereafter as debt becomes an increasing threat to the nation's fiscal sustainability.

Importantly, *The PREP Plan* is only one of many ways to accomplish the principles we set forward. In the Appendix, we have included several other potential offsets, and many more exist. Policymakers could also reduce the number of required offsets by reducing the cost of SGR reform and/or the tax extenders package.

The expired extenders and returning SGR should be viewed as an opportunity to make real improvements and reforms to the Medicare program and tax code; not an opportunity to add to the massive national debt.

The PREP Plan presents one way to achieve these goals. Ultimately, our leaders will need to enact significant adjustments to reverse the growing long-term debt. In the meanwhile, policymakers should at least avoid making the situation worse.

Appendix: Alternative Offsets

We believe *The PREP Plan* represents a sensible package of policies to slow health care cost growth and improve tax compliance with the potential for bipartisan support. However, policymakers could choose from a wide array of offsets. Below, we list a number of potential alternatives, though our list is far from exhaustive. Many of these offsets could also pay for a shorter doc fix or smaller tax extenders package.

Alternative SGR Offset Options	Savings Over 10 Years
Medicare	
Expand Medicare means-testing by increasing income-related Part B and Part D premiums and/or expanding the number of higher-earners subject to them.	$20-$100 billion
Reduce the growth of payments for post-acute care	$75 billion
Extend PREP Plan limits on supplemental insurance to TRICARE for Life and FEHB	$40 billion
Reduce Medicare coverage of unpaid "bad debts"	$30 billion
Reduce overpayments to Medicare Advantage plans (coding intensity adjustments)	$15 billion
Introduce competitive bidding to determine payments to Medicare Advantage plans	$10 billion
Reduce excess subsidies to academic medical centers (GME and IME)	$10 billion
Limit the ability of doctors to refer certain services to their own practices	$4 billion
Drugs	
Encourage the use of generic drugs in for low-income Part D recipients	$25 billion
Accelerate manufacturer discounts in Part D's "Donut Hole"	$15 billion
Strengthen the Medicaid drug rebate, as in the President's Budget	$8 billion
Prohibit drug manufacturers from reaching agreements to delay generic drugs	$4 billion
Exclude certain high cost drugs when calculating the maximum Medicaid payment	$3 billion
Medicaid	
Ban "provider taxes" that allows states to inflate their matching payments, by 2030	$65 billion
Equalize federal matching rates for administrative functions at 50 percent	$20 billion
Limit medical equipment reimbursement to competitively-bid Medicare rates	$3 billion
Alternative Extender Offset Options	
Increasing Compliance and Reducing Loopholes	
Restrict earnings stripping by all U.S. companies	$25-$50 billion
Require filers to have a SSN to file for a refundable child tax credit	$25 billion
Close estate tax loopholes	$2-$12 billion
Prevent companies from abusing deductions by owning their own life insurance	$7 billion
Prevent the tax benefit of retirement accounts from being spread across generations	$5 billion
Treat companies managed and controlled in the U.S. as U.S. companies	$7 billion
Use private debt collectors to collect long-overdue taxes	$2 billion
Reducing Tax Breaks	
Limit the tax benefit of large retirement accounts, as in the President's Budget	$30 billion
Eliminate tax exclusion for new private activity bonds	$30 billion
Eliminate mortgage interest deduction for yachts and second homes	$15 billion
Prevent delays of tax payments through exchanges of similar properties (like-kind)	$15-$40 billion
Repeal tax breaks for oil and gas companies	$5-$35 billion
Close the corporate jet loophole	$3 billion
Other Revenue Offsets	
Extend fees for Fannie Mae/Freddie Mac	$12 billion
Impose surcharge for air traffic services	$8 billion
Enact spectrum license user fees	$5 billion