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**Health Care and Revenue Savings Options
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In light of the current fiscal cliff negotiations, The Committee for a Responsible Federal Budget (CRFB) has produced two options menus – one focusing on changes to Medicare, Medicaid, and other federal health programs and the other on changes to the tax code.

While CRFB does not take a position on specific policies, it is important that lawmakers leave all possibilities on the table. As shown below, there are many reform options that could be combined to produce substantial savings over the next ten years and beyond. The options shown below are not a comprehensive list of all health and revenue options available to lawmakers. The list seeks only to show a broad range of possible measures, which could be incorporated into a package to reduce federal health spending and generate new revenue.

All estimates in both lists of options are **very rough** and are calculated by CRFB staff based on a number of outside sources (see Methodology section at the end). Many policies are dialable to achieve a desired level of savings, and a large number of them can be combined with other measures.

Due to length considerations, CRFB provided relatively brief descriptions of each policy. However, for more details on any of these policies, please contact the Committee for a Responsible Federal Budget by phone at (202) 596-3611 or e-mail at Boehmer@CRFB.org.

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Table 1: Health Savings Options

Health Care Savings Options	Potential 2013-2022 Savings
Expand Current Income-Related Premiums	\$10 - \$70 billion
Freeze Income-Related Thresholds for Part B and Part D	\$10 billion
Increase Income-Related Premiums by 15%	\$25 billion
Reduce Threshold for 35% Premium from \$85,000 to \$50,000	\$25 billion
Impose Part A Premium on Higher Earners Making Above \$250,000	\$10 billion
Increase Premium Base Rates	\$75 - \$330 billion
Increase Medicare Part B Base Rate to 35 Percent of Program Costs	\$250 billion
Increase Medicare Part D Base Rate to 35 Percent of Program Costs	\$80 billion
Increase Premiums by 5 Points Across-the-Board (incl. means-tested)	\$190 billion
Increase New Beneficiary Premiums by 5 Points Across-the-Board	\$75 billion
Modify Existing Cost-Sharing for Current and/or Future Beneficiaries	\$10 - \$100 billion
Increase Part B Deductible by \$75 (for 2012 it is \$140) by 2020	\$10 billion
Impose a 10% Home Health Copayment	\$40 billion
Impose Cost-Sharing for Skilled Nursing Facilities	\$20 billion
Impose Copayments for Clinical Laboratories	\$25 billion
Overhaul Medicare Cost-Sharing System	\$30 - \$65 billion
Establish Unified Deductible of \$550, 20% Uniform Coinsurance, and \$5,500 Out of Pocket Limit	\$30 billion
Impose a 5% Coinsurance Above the Initial Out-of-Pocket Limit	\$25 billion
Give IPAB authority to Adjust Coinsurance rates	n/a
Combine Cost-Sharing Overhaul with Medigap Restrictions	\$10 billion
Restrict Medigap Coverage	\$10 - \$100 billion
Ban Medigap Plans from Covering First-Dollar Costs (first \$550) and Limit Coverage to 50% of Remaining Cost-Sharing	\$55 billion
Apply Above Medigap Restrictions to TRICARE for Life	\$35 billion
Apply Above Medigap Restrictions to Employer Plans	Unknown
Replace FEHBP Wraparound Coverage for Medicare with Premium Subsidy	\$10 billion
Impose 15% Premium Surcharge for Certain Medigap Plans	\$15 billion
Levy 5% Surtax on all Medigap Plans	\$15 billion
Increase Medicare Age	Up to \$150 billion
Increase Medicare Age by 2 Months Per Year Until It Reaches 67	\$150 billion
Increase Medicare Age by 1 Month Per Year Until It Reaches 67	\$75 billion
Establish Medicare Buy-in at Age 65 or Age 62	-\$1 billion
Once Medicare Age Reaches 67, Index to Longevity	Future Savings
Make Changes to Medicare Advantage	Up to \$30 billion
Recover Erroneous Payments Made to Medicare Advantage	\$2 billion
Repeal Quality Bonus Demonstration	\$6 billion
Accelerate Phase-in of All Benchmarks and Coding Intensity Adjustments	\$10 billion
Prohibit Medicare Advantage Plans from Exceeding 110% of FFS Costs	\$10 billion
Adjust Timing of Medicare Advantage Payments	\$2 billion
Reform Graduate Medical Education Payments	\$5 - \$70 billion
Consolidate GME and IME Payments Into a Grant and Grow at CPI-1%	\$70 billion
Limit GME Payments to National Average Salary and Reduce IME Payments Adjustments from 5.5 to 2.2 Percent	\$55 billion
Enact More Modest Adjustments to GME and IME	\$5 to \$20 billion

Health Care Savings Options	Potential 2013-2022 Savings
Require Private Insurers Pay \$2 per Enrollee by 2014 to Contribute to GME	\$4 billion
Reduce Payments for Bad Debts	\$23 - \$35 billion
Reduce Bad Debts Reimbursements from 65% to 25% of Costs	\$23 billion
Phase Out Bad Debts Payments	\$35 billion
Reform Rural Hospital Payments	Up to \$30 billion
Cut All Special Payments to Rural Hospitals in Half	\$30 billion
Reduce Payments to Critical Access Hospitals (CAH) from 101% to 100% of Reasonable Costs	\$1 billion
Prohibit CAH Designation for Facilities within 10 Miles of a Hospital	\$1 billion
Reform Post-Acute Care Payments	Up to \$55 billion
Reduce Skilled Nursing Facility (SNF) Payment Updates by About 1.1%	\$12 billion
Reduce Skilled Nursing Home Health Payment Updates by About 1.1%	\$25 billion
Equalize Certain Payments to SNFs and Inpatient Rehabilitation Facilities	\$1 billion
Reduce Readmissions to Skilled Nursing Facilities	\$2 billion
Institute Value Based Purchasing for Home Health and SNFs	\$4 billion
Reduce IRF and Long Term Care Hospital Payment Updates by 1.1%	\$8 billion
Return to the 75% Rule for IRFs	\$1 billion
Institute Premium Support/Defined Support/Competitive Bidding	Dialable
Switch Medicare to a Premium Support/Defined Support/Competitive Bidding Plan Without a Cap (<i>Savings Depend on Subsidy Benchmark</i>)	Unknown
Switch Medicare to a Premium Support/Defined Support/Competitive Bidding Plan w/ a Cap on Subsidy Growth Rate	Dialable
Switch Federal Employees Health Benefits Program to a Premium Support System with a Cap	\$10 - \$40 billion
Reform or Replace Sustainable Growth Rate (Estimates Relative to a 10-year Freeze of Physician Payments)	Dialable
Index Physician Payments to Medicare Economic Index	-\$90 billion
Reset SGR Target at 2011 Spending Levels	\$15 billion
Reduce Payments by 1% in 2014, Require CMS to Develop New Payment Formula Enforced w/ Rebased SGR in 2015 (Fiscal Commission Recommendation)	\$35 billion
Freeze Payment Rates for Primary Care Physicians and Reduce Other Rates by 16.5 Percent (MedPAC Recommendation)	\$80 billion
Enact Medical Malpractice Reform	Up to \$70 billion
Implement 3-Year Statute of Limitations, a Fair-Share Rule, Collateral Source Rules, and Limits on Lawyer Contingency Fees	\$15 billion
Impose Caps on Noneconomic Damages (at \$250,000) and Punitive Damages (at the greater of \$250k or twice the economic damages)	\$50 billion
Institute Evidence-Based Practice Guidelines and Safe Harbor Protections	\$5 billion
Reform the Medicaid Payment Formula	Dialable
Establish Per Capita Cap on Medicaid Growth	Dialable
Block Grant Medicaid and Set a Fixed Growth Rate	Dialable
Allow up to 10 States to Submit Medicaid Waivers to CMS, under an Expedited Waiver Approval Process	Unknown
Reduce Federal Medical Assistance Percentage (FMAP) Rates Across-the-Board	Dialable
Move to a "Blended Rate" for Medicaid and CHIP	Dialable
Reduce Floor on FMAP Matching Rates	Dialable (~\$300b max)
Enact Targeted Medicaid Changes	Up to \$100 billion

Health Care Savings Options	Potential 2013-2022 Savings
Reduce Medicaid Provider Tax Threshold	\$10 - \$65 billion
Reduce Duplicative Administrative Payments to States	\$3 billion
Equalize Federal Matching Rates for Administrative Function At 50%	\$25 billion
Allow States to Increase Medicaid Cost-Sharing	Unknown
Reduce Medicaid DME Payments to Medicare Levels	\$3 billion
Rebase Medicaid Disproportionate Share Hospital (DSH) Payments for FY2022 and on Permanent Basis	\$4 billion
Require Drug Rebates in Medicare	\$50 to \$135
Require Rebates for Brand Name Drugs for Dual Eligibles	\$75 billion
Require Rebates for Brand Name Drugs for Other Low Income Subsidy (LIS) Beneficiaries	\$45 billion
Require Rebates for Generic Drugs For Dual and LIS Beneficiaries	\$25 billion
Reduce Federal Spending on Prescription Drugs	Up to \$85B
Prohibit "Pay for Delay" Agreements	\$5 billion
Encourage Faster Introduction of "Biosimilar" Drugs from 12 to 7 Years	\$3 billion
Reduce Part B Drug Payments from Average Sales Price (ASP)+6% to ASP+3%	\$3 billion
Establish Rebate for Part B Drugs Administered in Physicians' Office	\$15 billion
Adjust Medicaid Inflation Rebate	\$20 billion
Allow Drug Re-importation	\$20 billion
Change Cost-Sharing in Medicare Part D LIS to Encourage Use of Generics	\$20 billion
Reduce/Reform Select PPACA Provisions	Dialable
Repeal Frontier State Adjustments	\$2 billion
Exclude Part D 50% Discount from Out-of-Pocket (OOP) Cost Calculation	\$85 billion
Eliminate Cap on Subsidy Recapture	\$45 billion
Repeal Prevention and Public Health Fund	\$10 billion
Repeal Individual Mandate	\$335 billion
Institute a Public Option	\$100 billion
Require Health Insurance Exchanges to Offer Tiered Insurance Plans	\$10 billion
Reduce PPACA Subsidies	Dialable
Enact Payment Reforms	Up to \$95 billion
Aggressively Expand Penalties for Avoidable Complications	Up to \$23 billion
Aggressively Expand Penalties for Avoidable Hospital Readmissions	Up to \$29 billion
Expand Competitive Bidding to All Durable Medical Equipment	\$10 billion
Expand Competitive Bidding to Medical Devices and Lab Services	\$25 billion
Expand Payment Bundling and Other Pilot Programs	\$10 billion
Other Provider Payment Reductions	Up to \$45 billion
Recoup Hospital Coding Intensity Adjustments	\$3 billion
Pay Hospital Outpatient Evaluation and Management (E&M) Visits at Physician Fee Schedule Rate	\$10 to \$20 billion
Modify Payments and Require Prior Authorization for Advanced Imaging	\$2 billion
Reduce Payments to Clinical Labs by 5%	\$5 billion
Reduce Cap on Rental for Oxygen Concentrators from 36 to 13 Months	\$10 billion
Reduce Medicare Payments to End-Stage Renal Disease Facilities	\$4 billion

Table 2: Revenue Options

Revenue Options	Potential 2013-2022 Savings	
Partial Expirations of 2001/2003/2010 Upper Income Tax Cuts		
Restore Personal Exemption Phaseout (PEP) above \$250,000	\$40 billion	
Restore Pease above \$250,000	\$110 billion	
Tax Capital Gains and Dividends at 20% above \$250k	\$100 billion	
Tax Cap Gains at 20% and Dividends as Ordinary Income (35%) >\$250k	\$200 billion	
Allow Tax Rate Cuts to Expire on Income above \$250,000	\$440 billion	
Allow Top Rate to Increase to 39.6% on Income above \$1 Million	\$250 billion	
Allow Top Two Rates to Increase to 34% and 37%	\$200 billion	
Broad Limitations	Current Policy	Expiration >\$250k
Limit Itemized Deductions to \$50k for All Households (90% from >\$200k)	\$750 billion	\$850 billion
Limit Itemized Deductions Other than Charitable to \$50,000 for All Households (90% from above \$200k)	\$500 billion	\$575 billion
Limit Deductions and Exclusions to 28% for All Households	\$325 billion	\$550 billion
Limit Deductions and Exclusions to 25% for All Households	\$600 billion	\$825 billion
Limit Deductions and Exclusions to 20% for All Households	\$1,100 billion	\$1,400 billion
Limit Deductions and Exclusions to 25% for All Households, Phase Down to 0% for Income above \$1 Million	\$1,150 billion	\$1,500 billion
Limit Deductions and Exclusions to 25% for All Households, Phase Down to 0% Other than for Charitable and Municipal Bonds	\$1,000 billion	\$1,200 billion
Broad Limitations For Higher Earners Only	Current Policy	Expiration >\$250k
Limit Deductions and Exclusions to 28% above \$250k*	\$300 billion	\$525 billion
Limit Deductions and Exclusions to 28% and Phase Down to 20%*	\$600 billion	\$775 billion
Limit Deductions and Exclusions to 28% and Phase Out Above \$1 Million*	\$900 billion	\$1.2 trillion
Limit Itemized Deductions to \$50,000 Above \$250k	\$500 billion	\$600 billion
Limit Itemized Deductions to \$25,000 Above \$250k	\$700 billion	\$700 billion
Apply Feldstein-Feenberg-MacGuineas (FFM) 2% of AGI Cap Above \$250,000	\$600 billion	\$650 billion
Apply FFM 2% of AGI and \$10,000 Cap Above \$250,000	\$800 billion	\$900 billion
Apply FFM 2% of AGI/\$10,000 Cap Above \$250 w/Expanded Base	\$1,000 billion	\$1,100 billion
Impose "Super Pease"	\$300 billion	\$200 billion
Broad Limitations for Higher Earners w/Exemptions	Current Policy	Expiration >\$250k
Limit Tax Expenditures to 28% Bracket and Phase out, Excluding Charitable*	\$775 billion	\$1 trillion
Same as Option Above, but Excluding Charitable and Municipal Bonds	\$700 billion	\$925 billion
Limit Itemized Deductions Other than Charitable to \$25,000 Above \$250k	\$450 billion	\$450 billion
Same as Option Above, but Including Charitable and Creating a 15% credit for Additional Giving	\$550 billion	\$600 billion
Apply Broadest FFM Cap Excluding Charitable	\$800 billion	\$850 billion
Surtaxes and Clawbacks		
1% Surtax Above \$200,000/\$250,000	\$225 billion	
1% Surtax Above \$500,000/\$1 Million	\$100 billion	
1% Surtax Above \$5 million/\$10 Million	\$35 billion	
Clawback Lower Rates Above \$250,000	\$100 billion	

Revenue Options	Potential 2013-2022 Savings
Clawback Lower Rates Above \$1 Million	\$150 billion
Charitable Deduction Options	
Make Deduction Above-the-Line w/ 1% Floor (<i>Would Increase Giving</i>)	\$50 billion
Make Deduction Above-the-Line w/ 2% floor	\$150 billion
Turn Deduction into 25% Non-Refundable Credit w/ 2% Floor	\$150 billion
Turn Deduction into 15% Non-Refundable Credit	\$150 billion
Turn Deduction into 15% Non-Refundable Credit w/ 2% Floor	\$300 billion
Targeted Income Tax Options	
Repeal Mortgage Deduction on Second Homes	\$15 billion
Repeal Mortgage Deduction on Equity Loans	\$20 billion
Reduce Mortgage Deduction Limit to \$500,000	\$100 billion
Require Social Security Number for Child Tax Credit Refund	\$10 billion
Close Carried Interest Loophole	\$10 to \$20 billion
Tighten S Corporation Reasonable Compensation Rules	\$10 billion
Close "CEO Loophole" by Expanding 162(m) Limits	\$15 billion
Freeze Contribution Limits on Retirement Accounts	\$50 billion
Increase IRS Funding and Otherwise Reduce Tax Gap	\$40 billion
Eliminate Corporate Jets Preference	\$3 billion
Reduce Oil & Gas Subsidies	\$2 to \$20 billion
Increase Certainty with Respect to Worker Classification	\$10 billion
Repeal Non-Deductible IRAs	\$5 billion
Repeal Deduction for Employee Stock Ownership Plan (ESOP) Dividends	\$5 billion
Eliminate Exclusion of Certain Allowances for Federal Employees Abroad	\$15 billion
Eliminate Exclusion for Foreign Income Earned Abroad	\$70 billion
Adopt Chained CPI on Tax Code	\$60 billion
Cap State & Local Tax Deduction at \$10,000 for All Households	\$750 billion
Replace Personal and Dependent Exemptions w/ Increase in Standard Deduction and Child Tax Credit for All Households	\$650 billion
Estate Tax Options	
Revert to 2009 Levels (45% Rate, \$3.5 Million Exemption)	\$135 billion
Restore Exemption to 2011 Level of \$5 Million and Freeze	\$20 billion
Freeze Exemption at Current Level of \$5.12 Million	\$15 billion
Increase Rate by 1% (for 5% Rate, Multiply by 5, etc.)	\$5 billion
Enact Certain Anti-Abuse and Tax Simplicity Reforms**	\$10 billion
Modify Rules on Valuation Discounts	\$20 billion
Treat Retirement Plans as Distributed Within 5 Years After Death	\$20 billion
Excise Tax Options	
Reinstate 0.2% Unemployment Insurance (UI) Surtax	\$15 billion
Reinstate Superfund Taxes	\$20 billion
Reform and Increase Alcohol Taxes	\$10 to \$60 billion
Impose Financial Responsibility Tax	\$30 to \$75 billion
Increase Oil Spill Liability Fund Tax to 34 Cents	\$10 billion
Advance and/or Expand Health Excise Tax	\$50 billion to \$350 billion

*Savings could be increased by incorporating standard deduction.

**Would require consistency in value for transfer and income tax purposes, require a minimum term for grantor retained annuity trusts (GRATs), and coordinate certain income and transfer tax rules applicable to grantor trusts.

Methodology for Health Care Savings Options

All savings estimates are *very rough* and should be relied on for orders of magnitude rather than precise savings. All savings are estimated through 2022, and many assume implementation on January 1, 2014. To develop estimates of these health care savings options, CRFB used a variety of sources, with adjustments made by the staff where appropriate. Among the sources used are the Congressional Budget Office's (CBO) report on the President's FY2013 budget; CBO's March 2011 report *Reducing the Deficit: Spending and Revenue Options*; CBO's December 2008 *Budget Options Volume 1: Health Care*; CBO's *Raising the Ages of Eligibility for Medicare and Social Security* report; CBO's cost estimates of various reconciliation bills; MedPAC October 14, 2011 Letter to Congressional Committee Chairmen and Ranking Members on reforming the SGR system; MedPAC's June 2012 *Report to the Congress: Medicare and the Health Care Delivery System*; the National Coalition on Health Care's report *Curbing Costs, Improving Care: The Path to an Affordable Health Care Future*; the Center for American Progress's report *The Senior Protection Plan*; the Fiscal Commission's Moment of Truth report; and documents from the 2011 Biden discussions.

Methodology for Revenue Options

All revenue estimates are *very rough* and should be relied on for orders of magnitude rather than precise savings. All savings are estimated through 2022, and most assume implementation on January 1, 2014. Generally speaking, estimates that focused on households earning above \$200,000/\$250,000 assume that threshold is indexed to inflation. Additional revenues could be raised from those options by freezing that income threshold as is done in the Medicare surtax in PPACA. To develop estimates of these revenue options, CRFB used a variety of sources, and in most cases incorporated its own rough estimates. Among the sources used are a number of reports, budget scores, distribution tables, and other data sources from the Congressional Budget Office, Joint Committee on Taxation, Department of Treasury, Tax Policy Center, and the Internal Revenue Service. In some cases, estimates from were also derived based on analysis from Martin Feldstein, Daniel Feenberg, and Maya MacGuineas; from Gene Sperling and Jason Furman; and from Citizens for Tax Justice. Because all sources have different models that rely on different data and assume different behavioral responses, estimates are not strictly comparable.

Note: The Committee for a Responsible Federal Budget (CRFB) seeks to raise awareness of issues that have significant fiscal policy impact, and its analysis reflects the views of CRFB alone and not those of its partners or sponsors of affiliated projects, including the Campaign to Fix the Debt.