REPUBLICAN CAUCUS

THE COMMITTEE ON THE BUDGET

B-71 Cannon House Office Building
Washington, DC 20515
Representative Paul D. Ryan, *Ranking Republican*

Phone: (202)-226-7270
Fax: (202)-226-7174
Augustine T. Smythe, *Republican Staff Director*

HIDING THE COST OF THE 'DOC FIX'

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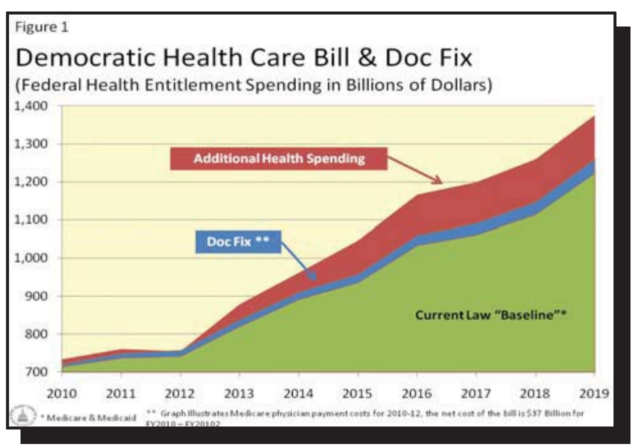
Faced with a Congressional Budget Office [CBO] cost estimate showing a $239-billion deficit increase in their health care bill, the Democratic Majority appears to be trying to make their problem disappear. The discussion below explains the maneuvers the Majority is likely to attempt to get that result; but in the end, the issue is simple. If Congress passes the health care bill including higher Medicare physician payments than scheduled under current law, Federal spending will be a trillion dollars higher over the next 10 years under CBO estimates, and the deficit will be $239 billion deeper. The debt will rise by $239 billion, along with additional interest expenses, and the Treasury will need to borrow these funds, further increasing the debt.

THE MEDICARE "DOC FIX" AND THE BUDGET

- Under the current-law Sustainable Growth Rate [SGR] formula, Medicare payments to physicians are scheduled to be reduced by 21 percent in fiscal year 2010. This reduction is assumed in the current-law baseline used by the CBO for projected Medicare spending, which is rising inexorably at about 7 percent per year.

- As part of their health care bill, the Majority increases physicians' payments, rather than reducing them 21 percent as scheduled in law. This results in a spending *increase*, compared to CBO's baseline, of $231 billion over 10 years – and that is how CBO has scored it.

- But the Majority wants to contend the $231-billion "doc fix" should be incorporated in the baseline – that it is not additional spending in the legislation – and therefore has no cost. This epiphany lets them claim to nearly eliminate the $239-billion deficit increase from the health care bill.



- But such sleight-of-hand cannot change the facts: the "doc fix" *is part of the Majority's health care bill, and it increases spending by $231 billion* (see Figure 1 above).

ADMINISTRATION PROPOSALS

- The administration started the confusion by proposing, in the President's budget, to change the baseline to assume the Medicare physician payments would be frozen. The administration made the same assumption in its statutory pay-as-you-go [pay-go] proposal, which meant any deficit impact of a doc fix would not have to be offset if pay-go were enacted.
- This has made some in Congress think the doc fix has no cost and does not need to be paid for. But that is untrue: Congress uses CBO's baseline and CBO's scoring; *it is why CBO was created in the first place*. Discarding CBO's estimates would abandon the objectivity and non-partisanship of analyses used in scoring legislation.
- The administration has stated CBO cost estimates should be used. During a House Budget Committee hearing last month, Office of Management and Budget Director Orszag said: "And so, just to reinforce the point, what we are saying is that health care reform must be deficit neutral using CBO-scored, hard, scoreable offsets, over 10 years and in the 10^{th} year."

HOUSE PAY-GO RULE AND THE BUDGET RESOLUTION

- The House pay-go rule adopted at the beginning of this Congress did not make an exception for the doc fix. Under that rule, the doc fix would have to be paid for.
- CBO's baseline is used for the budget resolution. As a result, all legislation will be scored relative to CBO's baseline, meaning that CBO will show a cost for any doc fix.
- The Majority did, however, include an unusual provision in the budget resolution. Section 421 of the resolution allows the Budget Committee Chairman to adjust the CBO scoring (including pay-go scoring) by up to $38 billion for a 2-year doc fix if one of the following conditions have been met: 1) the House has passed a statutory pay-go bill; 2) the bill including the doc fix includes provisions that establish a statutory pay-go mechanism.
- In a further twist, the statutory pay-as-you-go bill passed by the House this week allows the Majority to change the scoring of the doc fix for pay-go, also making the cost seem to disappear. *But the statute has not been enacted, and so it does not apply.*

CONCLUSION

- The bottom line is still the bottom line: no matter how the "doc fix" is treated, *it increases spending and the deficit by $231 billion*. That cost is real – and is a part of the Democrats' health care proposal – regardless of whether they choose to ignore it.
- It also does not solve the problem in the Senate, whose pay-go rule requires the doc fix to be fully offset.
- As a result, the Majority's trillion-dollar health care plan still aggravates the health care spending problem and increases the deficit by $239 billion – and that cannot be "assumed" out of existence.