

The Cost of...

THE CENTER FOR MEDICARE & MEDICAID INNOVATION

The Cost Of... breaks down the budgetary impact of what's driving our political discourse, giving context and analysis of its impact on our exploding national debt, which exceeds \$34 trillion.

A subset of this series, *The Cost Of...* the Center for Medicare & Medicaid Innovation (CMMI) focuses on how a bureaucratic slush fund created by Obamacare initially projected to save tax dollars is now significantly increasing spending.

PRESENTING THE PROBLEM

Established under the Affordable Care Act (ACA) in 2010, the Center for Medicare & Medicaid Innovation (CMMI) receives **\$10 billion in mandatory funding every decade** to conduct pilot programs that test new payment models in federal health programs, primarily Medicare.

The goal of CMMI is to identify demonstration models that aim to **improve quality of care OR reduce spending**. The Department of Health and Human Services (HHS) may expand models nationwide if the Secretary determines that either criterion is met.

In 2010, the nonpartisan Congressional Budget Office (CBO) [projected](#) that CMMI would produce \$1.3 billion in net savings over the 10-year budget window. In September 2023, CBO released a [report](#) updating the agency's analysis on the budgetary impacts of CMMI, finding:

*“CBO previously estimated that CMMI’s activities would **reduce** net federal spending but now estimates that they **increased that spending** during the first 10 years of the center’s operation and **will continue to do so** in its second decade.”*

Given the significant amount of mandatory funding allocated to CMMI, along with the recent CBO report finding the center is not achieving budgetary savings, lawmakers have a responsibility to examine the benefits and costs of tax dollars devoted to CMMI and the broader impact to the federal budget.

Accordingly, this week, the Budget Committee Health Care Task Force, led by Chair Michael C. Burgess, M.D., will convene a member roundtable to examine the budgetary effects of CMMI, including potential reforms that could result in saving tax dollars.



COUNTING THE COST

In 2011, CMMI received \$10 billion in mandatory funding to identify, develop, test, and evaluate demonstration models in federal health care programs. CMMI received another \$10 billion in funding in 2020 and **will continue to receive an additional \$10 billion in each subsequent decade.**

Importantly, using the approach CBO originally used to estimate the budgetary effects of the ACA, CBO estimated that CMMI would spend \$7.5B over the first decade to conduct those models (including spending on its employees, model infrastructure, and evaluations) and that CMMI's models would reduce spending by \$10.3B, for a net effect of \$2.8B in savings (**Table 1**).

However, under CBO's updated analysis, CBO now estimates that CMMI spent \$7.9 billion and saved \$2.6B, for a net **increase** of \$5.4B in outlays over the first decade of operation.

Table 1.

Estimated Budgetary Effects of CMMI's Activities, 2011 to 2020

Billions of Dollars

	Previous Projection ^a	Current Analysis
CMMI's Outlays	7.5	7.9
Change in Spending on Benefits	-10.3	-2.6
Net Increase or Decrease (-) in Outlays	-2.8	5.4
Percentage of Net Spending on Medicare	-0.05	0.10

Data source: Congressional Budget Office. See www.cbo.gov/publication/59274#data.

CMMI = Center for Medicare & Medicaid Innovation.

Table 3.

Estimated Budgetary Effects of CMMI's Activities, 2021 to 2030

Billions of Dollars

	Previous Projection ^a	Current Projection
CMMI's Outlays	10.9	8.3
Change in Spending on Benefits	-88.4	-7.0
Net Increase or Decrease (-) in Outlays	-77.5	1.3
Percentage of Net Spending on Medicare	-0.80	0.01

Data source: Congressional Budget Office. See www.cbo.gov/publication/59274#data.

CMMI = Center for Medicare & Medicaid Innovation.

Looking forward, CBO's new approach finds CMMI will result in net costs of \$1.3 billion over 2021-2030 (**Table 3**). Under the previous assumptions and analysis, CBO would have estimated CMMI to save \$77.5 billion over the same window. While CBO's projections on CMMI were subject to significant uncertainty, in part because it was a new program, CBO's 10-year projection represents an increase of **nearly \$80 billion.**



THE BOTTOM LINE

As House Budget Committee Republicans recently [covered](#), mandatory health care spending now exceeds the entire U.S. discretionary budget.

The federal government is on track to spend \$51 trillion in mandatory spending in the next decade. Reversing the curse of our runaway national debt and restoring fiscal sanity to Washington's broken budget process is not possible without addressing runaway mandatory health care spending.

Policymakers have a responsibility to advance reforms to reduce federal health care spending and improve patient access to quality and affordable health care—this includes conducting important budgetary oversight and examining the benefit and costs of mandatory programs that run on autopilot, including CMMI which will continue to receive \$10 billion in mandatory funding every decade in perpetuity.

Stay tuned for the Health Care Task Force Member Roundtable this week examining the budgetary effects of CMMI.

