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CMS Chief Actuary spells out impact of Reid bill
on national health expenditures, Medicare coverage, financing

WASHINGTON --- Senators Chuck Grassley (R-Iowa) and Mike Enzi (R-Wyoming) today said that in response to their request, the Chief Actuary for the Centers for Medicare & Medicaid Services has reported on the overall financial effects, coverage effects, and national health expenditures effect of the Patient Protection and Affordable Care Act of 2009, and the specific impacts on the Medicare Trust Fund exhaustion date, on Part B premiums, and on Part A and Part B coinsurance amounts.

"This analysis provides a lot of valuable information about the realities and repercussions of the Senate health care bill. Most of all, it shows how Senator Reid's bill doesn't do anything to reduce the unsustainable growth in health care spending and, in fact, would make health care costs grow even more rapidly," Grassley said. "There's no good answer for Congress spending $2.5 trillion to make things worse."

"The experts tell us the Reid bill would drive up costs and hurt seniors on Medicare," Enzi said. "Higher costs and cuts to Medicare are not the reforms the American people want and need. How many more devastating studies do we need before the Democratic leadership will agree we need to scrap these flawed bills and start over?"

The Ranking Members of the Finance and HELP Committees also pointed to these findings of the Chief Actuary's analysis, which was delivered late Thursday:

- The Reid bill increases National Health Expenditures. The increase would be .7 percent during 2010-2019. Despite promises that reform would reduce health care spending growth, the Reid bill actually bends the health care cost curve upwards. (page 19)
- The new fees for drugs, devices and insurance plans in the Reid bill would increase prices and health insurance premium costs for consumers. This would increase national health expenditures by approximately $11 billion per year. (page 16)
- The actuary's analysis shows that claims that the Reid bill extends the solvency of the Medicare HI Trust Fund and reduces beneficiary premiums are conditioned on the continued application of the productivity payment adjustments in the bill, which the actuary found were unlikely to be sustainable on a permanent annual basis. (2 page addendum memo on the Part A Trust Fund, Bart B Premiums and Parts A and B Co-insurance Amounts)
- The Reid bill creates a new long-term insurance program (CLASS Act) that the CMS actuaries found faces "a very serious risk" of becoming unsustainable as a result of adverse selection by participants. (page 19) The CMS actuary found that such programs

face a significant risk of failure and expects that the program will result in a "net Federal cost in the long term." (page 13)

- The Reid bill funds $930 billion in new federal spending by relying on Medicare payment cuts which are unlikely to be sustainable on a permanent basis. (page 18) As a result, providers could "find it difficult to remain profitable and, absent legislative intervention, might end their participation in the Medicare program." (page 9)
- The Reid bill is especially likely to result in providers being unwilling to treat Medicare and Medicaid patients, meaning that a significant portion of the increased demand for Medicaid services would be difficult to meet. (page 18)
- The CMS actuary noted that the Medicare cuts in the bill could jeopardize Medicare beneficiaries' access to care. He also found that roughly 20 percent of all Part A providers (hospitals, nursing homes, etc.) would become unprofitable within the next 10 years as a result of these cuts. (page 9)
- The CMS actuary found that further reductions in Medicare growth rates through the actions of the Independent Medicare Advisory Board, which advocates have pointed to as a central lynchpin in reducing health care spending, "may be difficult to achieve in practice." (page 18)
- The Reid bill would cut payments to Medicare Advantage plans by approximately $110 billion over 10 years, resulting in "less generous benefit packages" and decreasing enrollment in Medicare Advantage plans by about 33 percent. (page 10)