**MEMORANDUM**

To: Reporters and editors
From: Scott Mulhauser and Erin Shields for Finance Committee Chairman Max Baucus (D-Mont.)
Re: Scoring of the America's Healthy Future Act
Date: September 16, 2009

The following information should be attributed to Finance Committee aides.

Upon release of the Chairman's Mark this morning, Senator Baucus asserted that the cost of the bill he put before the Finance Committee was $856 billion over 10 years. The Congressional Budget Office later released its analysis stating that the gross cost of the Chairman's Mark bill is $774 billion over 10 years.

The Finance Committee staff does not question the CBO analysis. Both numbers are accurate, depending upon whether related policy initiatives are scored individually or combined into a net score. This $82 billion difference is principally attributable to this netting convention.

The CBO score grouped 20+ Medicaid provisions into one total net budget savings ($37 billion). Twelve of those Medicaid provisions increase federal spending by an aggregate amount of $6 billion. Other Medicaid provisions reduce federal spending by an aggregate amount of $43 billion. The net overall effect of the Medicaid policy changes is $37 billion in savings. Under the CBO score, the $6 billion in spending provisions are not added to the total cost of the Mark. Instead, they offset $6 of the $43 billion in spending reductions, and do not show up as costs of the bill.

Similarly, CBO scored the Medicare provisions as saving $379 billion over 10 years. However, approximately half of the 100 line items in the Medicare division of the bill result in increased spending rather than savings. Examples include new graduate medical education slots (costs $1 billion); the doctors payment adjustment (costs $11 billion); a two-year extension of therapy caps (costs $2 billion). In total, these provisions increase spending by $84 billion. The other half of the proposals save $463 billion in federal spending. Examples include adjustments to Medicare Advantage payments (saves $123 billion) and a reduction in payments to nursing homes ($15 billion). If all of these numbers are netted, the result is $379 billion in savings. And if $379 billion is used, rather than $463 billion, then the size of the bill is $84 billion smaller.

Finally, the tax title contains one tax cut (cafeteria plans) that costs $4 billion. It contains 12 other provisions that raise $138 billion over 10 years. CBO nets these for offsets totaling $134 billion. The Finance Committee staff counts the $4 billion as a component of a bill that costs $856 billion and contains $138 billion in offsets.

If the $6 billion in Medicaid spenders, the $84 billion in Medicare spenders and the $4 billion in tax cuts count toward the total size of the bill, then the total size is $856 billion over 10 years. If they do not count and instead are netted against offsets, then the total cost is $774 billion over 10 years.

*Note: Adding $6, 84, and 4 billion totals $94 billion, which is $12 greater than the difference between $856 and $774 ($82 billion difference). This $12 difference is due to the treatment of revenue effects of the coverage proposals.*