MEDICARE BUDGET

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Changes in the $98 Billion Package to Get to $124 Billion

Note: Start dates for many proposals have been changed to adjust 1996 effective dates in the original bill while still realizing maximum achievable savings. Start date changes for individual proposals not shown here.

- **Inpatient and Outpatient Hospitals:**
  - PPS and PPS-exempt update reduction at MB-1.5% for FY 1996-2002. Original bill had MB-1% for 1997-2000 (1996-2000 for PPS-exempt hospitals); MB-1.5% was limited to 2001-2002.
  - No DSH reduction.
  - OBRA 90 OPD reductions in capital and operating payments permanently extended. OPD formula-driven overpayment eliminated 4/1/96. OPD PPS implemented in 2002.
- **Medical Education:**
  - The President's plan now returns 100 percent of the savings from removing IME, GME and DSH from the AAPCC, rather than only 75 percent.
  - The IME adjustment will still be reduced from 7.7 percent to 6.0 percent, but the phase-in schedule has been moved up; the IME adjustment will be equal to 6.0 percent by FY 1999, rather than FY 2001.
  - The following 2 proposals were dropped from the **Medical Education (GME) Reform** package: (1) extending the OBRA 1993 freeze on updates for non-primary care residents; and (2) counting residents beyond their initial residency period as 0.5 FTE for IME.
- **Physicians:**
  - Basic restructuring of fee updates/MVPS policy remains unchanged. Revised bill increases the maximum allowable reductions to inflation updates, which increases savings on CBO's baseline. Effective date changed to April 1 to capture some 1996 savings. Transition for surgical services maintained. Clarifies treatment of anesthesia conversion factor (i.e., is based on 1995 anesthesia conversion factor).
- **Home Health/Skilled Nursing Facilities:** No significant changes.

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- **Other Providers:**
  - Oxygen: Replaces oxygen cut of 20 to 30 percent with cut of 10 percent (from Coalition bill).
  - Durable Medical Equipment: Adds freeze on DME payment updates for 1997-2002 (from Coalition bill).
  - Ambulatory Surgical Centers: Delays effective date for CPI-2% reduction to 1997-2002. Increases reduction to CPI-3% in 1997-1998 (to make up for lost savings in 1996).
- **Beneficiaries:** No changes.
- **Managed Care:**
  - Savings increased to $22 billion, primarily because CBO will assume higher managed care enrollment than in their estimate of the $98 billion package.
  - HMO floors and ceilings proposal is eliminated because this bill adopts the Conference Agreement's budget-neutral methodology for reducing geographic variation in managed care payments.
- **New Benefits:**
  - Preventive benefits now start in 1998. Added barium enema to colorectal screening procedures covered. Added diabetes screening benefits (from Coalition bill). Respite benefit now starts in 2002.
- **Rural Health Care:**
  - Telemedicine demonstration and rural referral centers language from 11/1/95 Senate Democratic budget package now included in the President's plan. Direct payment authorized to physician's assistants, nurse practitioners.
- **Fraud and Abuse:**
  - Adopted fraud and abuse provisions from Conference Agreement, but without provisions that would create new exceptions for to anti-kickback penalties for managed care plans.