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COMPARING APPLES WITH APPLES ON MEDICARE

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The White House and congressional Democrats have attempted in recent weeks to draw a stark distinction between the Medicare savings projected in the House-Senate Conference Budget Resolution and President Clinton's budget plan, released in June. Americans are being told that while the President's plan seeks to achieve only \$128 billion in savings over the next seven years, the Conference Budget Resolution seeks to achieve \$270 billion in savings. Hence, the impression is created that Congress intends to reduce projected Medicare spending by more than double the amount favored by the White House.

The facts are quite different. Because the "baseline" used by the White House is different from the one used by Congress, the comparison made by the White House is the numerical equivalent of comparing apples with oranges. When the same baseline is used, the savings desired by each end of Pennsylvania Avenue turn out to be much closer.

A baseline is a projection of spending under current law, using assumptions about utilization, growth of the eligible population, and other factors. There are savings in a Budget Resolution or a White House budget if the spending targets in the budget document are below the baseline. Obviously, the level of saving will depend on who develops the baseline and what assumptions they use.

The reason the White House greatly exaggerates the difference in projected savings between the Administration's plan and that of Congress is that the White House uses a Medicare baseline developed by its own Office of Management and Budget, while Congress uses the baseline developed by the nonpartisan Congressional Budget Office (which "scores" all budget-related legislation).

Even small differences in assumptions can make a significant difference in a baseline. For Medicare Part A, for instance, the CBO projects an average annual cost growth of 7.9 percent over the next ten years, while the OMB projects the rate at 7.5 percent. For Part B, the CBO expects a 12.3 percent growth rate, while the OMB projects only a 10.9 percent growth rate.

Because the OMB baseline projects a lower rate of Medicare spending under current law than the CBO projects, the savings achieved by any particular budgeted amount for Medicare would seem lower using the OMB baseline instead of the CBO baseline (or, in Washington parlance, a Medicare "cut" looks smaller using the OMB baseline).

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While there can be a debate about which baseline is a more accurate forecast of Medicare spending under current law, it is clearly very misleading for the White House to use one baseline to score Congress's Medicare plan and another to score its own (especially when that suggests a lower "cut" for the White House plan).

For Members of Congress and ordinary Americans to compare the two budget proposals, it is thus necessary to provide a comparison using the same baseline. Doing so, as the following chart indicates, reveals that the projected savings are closer than the White House suggests.

- ◆ Using the OMB baseline for the White House plan and the CBO baseline for Congress's plan wrongly implies that the White House wants to reduce future Medicare spending by \$128 billion (FY 1996-2002), while Congress intends to reduce it by \$270 billion (that is, by \$142 billion more than the White House).
- ◆ Comparing the two budget plans with the CBO baseline, however, indicates that the White House wants savings of \$192 billion, not the \$128 billion it claims when comparing its plan with that of Congress. This makes the difference between the two plans just \$78 billion over seven years, not the \$142 billion claimed by the White House. This difference is about half the amount implied by the White House's apples/oranges comparison.
- ◆ If the two budgets are compared with the OMB baseline, it is Congress's savings which must be revised down to reflect the lower baseline. Using this baseline means Congress's savings amount to \$205.7 billion (compared with \$128 billion for the White House plan, using the same baseline).

