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Senate Finance "MedPAC" Health Proposal Needs Savings Guarantee

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The Senate Finance Committee may apparently include a provision in its health coverage legislation that would allow a little-known advisory commission known as "MedPAC" to make changes in Medicare and other parts of the health system that would go into effect unless Congress explicitly objects. The aim is to achieve significant savings in the program to help finance coverage expansions for working families in a way that reduces the likelihood that future Congresses will renege on promised entitlement savings.

Given the enormous debt and deficits facing the country, it is critical that Congress pays for any new programs by reducing existing spending. Essential to that is a mechanism that makes it more likely that Congress will actually deliver promised savings—a rarity in Washington. But lawmakers considering how to respond to this idea should test any such proposal that emerges from committee discussions against certain principles. These principles will help protect this nation's children and grandchildren from an even bigger debt burden while helping to achieve improved coverage for working families.

Principle 1: The First Priority for Savings in Medicare and Medicaid Is to Reduce Long-Term Entitlement Debt, Not Partly Finance a New Entitlement.

Medicare's long-term finances are in shambles, with a structural deficit of over $38 trillion (in present-value dollars) burdening future generations. Budget analysts from across the spectrum, including former Congressional Budget Office (CBO) directors from both parties, have been offering proposals to reduce the huge unfunded obligations of Medicare and other major entitlements.[1] The bulk of any savings achieved should be earmarked for this purpose, not for partially financing yet another costly and underfunded new entitlement.

Principle 2: If Congress Plans to Finance Part of Any Program Through Savings Elsewhere, Then Those Savings Must Be "Banked," Up-Front, Before Any New Spending Is Authorized.

The effort to expand health coverage is shaping up according to a very familiar pattern in Washington. A health proposal is offered to achieve some goal. Then, as has been seen in recent days after CBO has analyzed health proposals, it turns out that the proposal will likely cost far more than first advertised. Then Congress piously promises to pay for the proposal with savings and new taxes. Then the new taxes are enacted but most of the savings somehow never materialize.

For instance, Congress in 1997 promised that savings would come from a mechanism to trim physician payments in Medicare, only to have later Congresses roll back that promise year after year. And the 2003 Medicare drug legislation required

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Congress to at least consider a proposal for savings if Medicare's general revenue exceeds the stated level. That has been blatantly ignored, and the current House health bill would remove even that modest savings mechanism from the statute book.

So if Congress expands coverage mainly "paid for" by promised savings, responsible lawmakers should insist that an expansion of coverage proceed in stages and that before each stage can go forward, real savings must first be achieved and certified by the CBO and the General Accountability Office. That would provide a mechanism for lawmakers to require real savings before each expansion moves forward.

Principle 3: A Reduced Medicare Budget Should Be in the Form of "Premium Support" That Empowers Seniors, Rather Than Price Controls That Empower Bureaucrats and Jeopardize Services.

Congress traditionally tries to reduce Medicare spending by controlling payments to physicians and hospitals and fixing prices. This hands-on micromanagement through wage and price controls works no better in health care than it has in any other area over the centuries. It leads to distortions, doctors withdrawing from Medicare, and other problems.

The alternative approach, seriously considered by President Clinton's National Bipartisan Commission on the Future of Medicare and favored widely, is instead to taper down the growth of future spending in Medicare through limiting taxpayer support for the coverage chosen by seniors (an approach known as "premium support").

That approach achieves savings through the preferences of empowered seniors in a competitive market—maximizing their satisfaction—rather than through the preferences of agency bureaucrats or fiercely lobbied congressional committees.

Principle 4: While a Commission Recommending Savings Should Propose Them for Expedited Consideration by Congress, They Should Not Go into Effect Without Congressional Approval.

There is significant and wide support for finding novel procedural ways to deal with Congress's inability to trim entitlement programs. That has led to the idea of using a commission or commissions to propose packages of changes that must be considered by Congress in an expedited way, much as a treaty is considered or the Base Closing and Realignment Commission made it at last politically possible to close unneeded military bases.[2]

It appears the Senate Finance Committee may propose that the Medicare Payment Advisory Commission (MedPAC)—a board of health analysts drawn from universities, think tanks, and health care bodies—should have a key role in achieving health savings. MedPAC currently makes recommendations to Congress on broad aspects of Medicare, but Congress has no obligation to enact or even consider its proposals.

But rather than recast MedPAC as an advisory body with clout (whose recommendations would have to be considered for an expedited up-or-down vote, perhaps with other competing proposals, and implemented only if agreed to), it appears that the committee may enact a procedure whereby MedPAC's recommendations would go into affect unless both houses of Congress block them.

This powerful default implementation for the decisions by an appointed board should be unacceptable to lawmakers and Americans. Like other efforts to insinuate an unelected and largely independent health board into the health system, these decisions, in practice, could easily go well beyond mere technical adjustments in payments and result in board control of medical practice, contrary to the intent of the original Medicare law. The relationship between doctor and patient should not be compromised or undermined by a distant board, council, or panel. If Congress gives serious consideration to a commission to develop proposals for savings, the mechanism should be expedited review of its rec-

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1. Stuart M. Butler *et al.*, "Taking Back our Fiscal Future," Heritage Foundation *White Paper*, March 31, 2008, at *http://www.heritage.org/Research/Budget/wp0408.cfm.*
2. Stuart M. Butler, "A Commission Offers Solution without the Grandstanding," Heritage Foundation *Commentary*, November 4, 2007, at *http://www.heritage.org/Press/Commentary/ed110507c.cfm*

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ommendations, not the implementation of those recommendations by default.

Caution Ahead. If the above principles are ignored, Congress could end up creating a large new entitlement, with savings offsets that are phantom rather than real, and adding to the staggering debt burden on future generations. And, worse still, it could end up doing this while also giving excessive power to an unelected and unaccountable health board.

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