



Quality Benefits, Targeted Advocacy & Education for Today's Seniors
1-800-906-ASBA (2722)

Fiscal Commission Report Supported by Majority of Members, But Falls Short of 14-Vote Threshold

AHIP, Washington Update, 12/3/2010

The National Commission on Fiscal Responsibility and Reform adjourned earlier today after concluding debate on a report, released Wednesday by the Commission's leaders, that proposes a plan for achieving deficit reduction and addressing the nation's long-term fiscal challenges.

Although there was no formal vote by the Commission, 11 of the 18 members have indicated that they support the report. While this is a significant majority, the report was not officially approved because the executive order that established the Commission required that any final report must be supported by at least 14 of the 18 members. All members of the Commission – including those who did not support the report – agreed that major policy changes are needed to bring the federal debt under control in both the short-term and the long-term. Congress will be devoting considerable attention to these priorities in the 2011 session and beyond.

AHIP issued the following statement on the Commission's report:

"While stakeholders will have differing views over the specifics, the Commission is absolutely correct that there is no path to long-term fiscal responsibility that does not include a comprehensive approach to reducing health care cost growth. In addition to its impact on the federal budget, health care cost growth threatens our economic competitiveness, our public safety net, and the affordability of coverage for families and employers. We urge legislators at the federal and state levels to work on a bipartisan basis to pass reforms that will bring down the soaring cost of medical care."

Highlights of the Report

The report cautions that "our nation is on an unsustainable fiscal path," noting that the federal debt has increased from 33 percent of gross domestic product (GDP) in 2001 to 62 percent of GDP in 2010. A preamble to the report describes the plan as a "starting point for a serious national conversation" and emphasizes that there are no easy solutions. The plan has six major components: (1) discretionary spending cuts; (2) comprehensive tax reform; (3) health care cost containment; (4)



mandatory savings; (5) Social Security reforms including increasing the retirement age to 68 by 2050 and 69 by 2075; and (6) reform of the budget process.

The section on health care cost containment includes the following proposals:

- Establish a global budget for total federal health care costs, limit the growth to GDP plus 1 percent, and require structural reforms if federal health spending exceeds the program-specific and overall targets.
- Reform the Medicare physician payment system and require the costs to be offset with savings within the health care system.
- Reduce and potentially eliminate the tax exclusion for employer-provided health insurance.
- Reform or repeal the Community Living Assistance Services and Supports (CLASS) Act.
- Achieve Medicare savings by: (1) expanding efforts to reduce Medicare fraud; (2) reforming Medicare cost-sharing rules; (3) restricting first-dollar coverage in Medicare supplemental insurance; (4) extending Medicaid drug rebates to dual eligibles in Part D; (5) reducing payments to hospitals for medical education; (6) reducing Medicare payments for bad debts; and (7) accelerating savings from payment reforms for home health providers.
- Achieve Medicaid savings by: (1) preventing states from increasing federal matching funds through provider taxes; (2) placing dual eligibles in Medicaid managed care; and (3) reducing federal funding for Medicaid administrative costs.
- Implement medical malpractice reforms.
- Eliminate provider carve-outs from the Independent Payment Advisory Board.
- Transform the Federal Employees Health Benefits Program (FEHBP) into a defined contribution program, with the government's contribution budgeted to grow by GDP plus 1 percent per year.



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- Direct the Centers for Medicare & Medicaid Services (CMS) to begin implementation of Medicare payment reform pilots, demonstrations, and programs as rapidly as possible and allow successful programs to be expanded without further congressional action.

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