

February 15, 2011

From: Bill Finerfrock

Re: Congressional Appropriations and the President's Budget

On Monday, February 14, 2011, President Obama submitted his Fiscal Year 2012 budget to Congress.

According to Administration officials, President Obama's budget would trim the deficit by \$1.1 trillion over 10 years, with two-thirds of the savings coming from spending cuts and one-third from tax increases.

The President's budget proposes a \$663 million increase, or about 17%, in CMS' discretionary budget which reflects money needed to implement the health care reform law enacted last year.

In addition, President Obama is proposing a 2 year SGR fix as part of his FY 2012 Budget proposal. In essence, he is proposing a 2 year freeze of physician payments covering CY 2012 and CY 2013. His budget then assumes that Congress will find a permanent fix for the SGR problem beginning in 2014.

The short-term cost of freezing the Conversion Factor for two years is approximately \$62 Billion. The President proposes to "pay for" this freeze by eliminating fraudulent or wasteful spending in the Medicare program, making various changes in the Medicaid program that would reduce federal outlays, impose a financial penalty on providers who do not update their Medicare enrollment information, and other activities aimed at reducing costs.

According to the President's budget, the long-term cost of fixing the SGR problem is estimated at \$315 Billion over 10 years. The President's budget assumes that this will occur and that Congress will find the money to pay for this fix. However, no specific long-term proposals for how to fix the SGR problem are put forward by the Obama Administration nor is there any proposal for how to pay for the unspecified fix.

With regard to the SGR problem, the President's budget documents say the following:

"The Administration is committed to working with Congress to achieve permanent, fiscally responsible reform and to give physicians incentives to improve quality and efficiency, while providing them with predictable payments for the care they furnish to Medicare beneficiaries."

Below is a chart that highlights various key proposed funding levels for CMS. The line-item identified as "Program Operations" funds such activities as claims processing, provider enrollment and other administrative activities carried out by Medicare's contractors. We would also direct your attention to the line-item for the Recovery Audit Contractor program. The Obama Administration proposes to more than double the amount of money available for RAC audits, dramatically expanding this program in 2012.

Dollars are in Millions

	2010 Actual	2011 Continuing Resolution (CR)	2012 estimate
Program operations	2,404	2,689	3,245
Federal administration	697	767	925
State survey & certification	366	469	417
Research, demonstrations	39	602	90
High-risk pool grants	55	55	44
ARRA Medicare/Medicaid HIT	88	191	201
Consumer Assistance Grants	1	29	0
Recovery audit contractors	26	259	500
CLIA	54	43	43
Data Sales	8	2	2
Coordination of Benefits	42	52	59