



**EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503**

March 25, 2015
(House Rules)

STATEMENT OF ADMINISTRATION POLICY

H.R. 2 – Medicare Access and CHIP Reauthorization Act

(Rep. Burgess, R-Texas, and 10 cosponsors)

The Administration supports House passage of H.R. 2 because it would reform the flawed Medicare physician payment system to incentivize quality and value (a proposal called for in the President's Fiscal Year 2016 Budget), would make reforms that could help slow health care cost growth, and would extend other important programs such as health care coverage for children.

Medicare payments to physicians are determined under a formula, commonly referred to as the "sustainable growth rate" (SGR). This formula has called for reductions in physician payment rates since 2002, which the Congress has overridden 17 times. Under the SGR, physician payment rates would be reduced by about 21 percent on April 1, 2015. A cut of this magnitude could reduce access to physicians for Medicare beneficiaries throughout the country. H.R. 2 would replace this system with one that offers predictability and accelerates participation in alternative payment models that encourage quality and efficiency. The proposal would advance the Administration's goal of moving the Nation's health care delivery system toward one that achieves better care, smarter spending, and healthier people through the expansion of new health care payment models, which could contribute to slowing long-term health care cost growth.

The Administration also supports the legislation's inclusion of a continuation of policies and funding for the Children's Health Insurance Program (CHIP). The President's Budget includes a four-year extension of this program, which has provided meaningful health coverage to over eight million children; extending CHIP would ensure continued, comprehensive, affordable coverage for these children. H.R. 2 also includes other important proposals in the President's Budget, such as an extension of the Home Visiting Program and additional funding for the Community Health Center (CHC) Fund, although the legislation includes restrictions on the use of the CHC Fund which would be unnecessary given Executive Order 13535. The Administration supports the legislation's provision to make permanent the Qualifying Individual program, which pays the Medicare Part B premiums for certain low-income Medicare beneficiaries.

The legislation would pay for costs above what is needed to hold Medicare payments to physicians fixed at their current level. The savings would come from sensible reforms, which are expected to cover a larger share of the bill's costs over the long run. These include cost-saving changes to Medicare provider payments as well as increases in the income-related premium for certain high-income Medicare beneficiaries, who represent about five percent of those covered by Medicare. A similar proposal was included in the President's Budget to help improve the financial stability of the Medicare program by reducing the Federal subsidy of Medicare costs for those who need the subsidy the least. The bill also would, starting in 2020, prohibit Medicare Supplemental Insurance (Medigap) policies from covering the Part B deductible (currently \$147) for new beneficiaries. This would encourage more efficient health

care choices, lowering Medicare costs and Medigap premiums.

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