



Sequestration: CBO Projects Bleak Economic Outlook as Result of Cuts

The Congressional Budget Office (CBO) released its latest 10-year estimate of the effect that current federal tax and spending policies will have on the U.S. economy. CBO said that, while allowing the BCA sequestration to go forward next year and allowing the Bush-era tax cuts to expire would reduce the FY 2013 federal deficit to \$641 billion from \$1.1 trillion this year, the reduction in federal spending and tax increase would result in a significant recession. This scenario would also spike unemployment to 9.1%. CBO

projected that, if the tax and spending policies are extended, the federal deficit would still exceed \$1 trillion and unemployment would continue at around 8%. CBO said this latter choice by Congress would lead to a fiscal crisis with the total federal debt rising to 90% by 2022. **Republican Vice Presidential nominee Paul Ryan** said the President and Congress are on a path to creating a fiscal crisis because of the current political impasse on spending and entitlement issues.

Republicans Keep Up Drumbeat on PPACA Problems

Reps. Fred Upton and **Joe Pitts** sent a letter to **Marilyn Tavenner**, Acting Administrator, Centers for Medicare and Medicaid Services (CMS), stating their latest concerns that PPACA-related regulatory uncertainty “has crippled states and health providers in their ability to plan for future Medicaid expansions or state insurance exchanges.” They intimated that CMS seemingly intends to delay further guidance beyond the November election which is hampering states in their decision-making on the two implementation issues. They noted that states must make their decision on exchanges by November 16th even though critical regulations on “essential health benefits” and actuarial value have not been issued. They asked CMS for the timelines for the issuance of

the needed regulations.

In related news, the American Hospital Association has also asked the Department of Health and Human Services (HHS) for information on the PPACA Medicaid expansion, including answers to such questions as the following:

continued page two

Inside

CMMI Advances Primary Care Initiative	2
New CBO Estimates for Medicare Physician Payment/SGR Fix	2
DME Bids Due	2
FDA Issues	2

from page one

◆ will the agency allow states to apply for Section 1115 waivers to encourage them to expand their Medicaid programs;

◆ will the agency allow states to expand Medicaid coverage to populations based on an income threshold below 100% of the federal poverty level (FPL), etc;

and

◆ will individuals with incomes from 100-138% of the FPL be eligible for federal subsidies if they participate in state exchanges when Medicaid is not available to cover them.

Rep. Darrell Issa, the Chairman of the House Oversight and Government Reform

Committee, also sent a letter to the IRS seeking all documents and memos between the agency and the White House with respect to the PPACA's health insurance exchanges and insurance subsidies. Republicans still question whether the law allows for subsidies under the federal default exchange as provided under IRS regulations.

New CBO Estimates for Medicare Physician Payment/SGR Fix

CBO released a report stating that continuing the current Medicare physician payment rate would result in a \$245 billion cost over ten years. The agency also estimated that, if Congress voids the 2013 pay cut of 27% due to the flawed sustainable growth rate (SGR) formula, Medicare spending would

increase by \$10 billion in 2013 and up to \$40 billion by 2022. In addition, the CBO estimated that the PPACA Supreme Court decision will likely lower Medicaid costs by 7%, or \$288 billion, over ten years because some states will not voluntarily expand Medicaid coverage under the law. However, CBO said that PPACA subsidies

for individual health insurance would reach \$123 billion by 2022. CBO also projected total Medicare spending in 2012 to be \$550 billion, a \$170 billion decrease. Over ten years, the CBO projects Medicare spending to total \$7.7 trillion, a \$169 billion decrease.

FDA Issues

The Food and Drug Administration (FDA) issued two draft guidance reports related to the PPACA Generic Drug User Fee Act (GDUFA). The "Drug User Fee Amendments of 2012: Questions and Answers" provides answers to common questions on the requirements and commitments of the GDUFA.

The second guidance, "Self-Identification of Generic Drug Facilities, Sites, and Organizations," provides guidance to generic drug manufacturers on how to meet the self-identification requirements under the GDUFA.

DME Bids Due

CMS announced that Medicare durable medical equipment (DME) suppliers in the nine geographic areas of Round One will have from around October 15th through December 14th to submit bids for the next three-year contracting period which begins January 1, 2014. CMS said the bidding program already has saved Medicare \$202 million in the first year of the program.

CMMI Advances Primary Care Initiative

CMS announced the selection of five hundred primary care practices to participate in the PPACA generated "Comprehensive Primary Care" program administered by the Center for Medicare and Medicaid Innovation (CMMI) which will pay the providers an additional \$20 per beneficiary for enhanced primary care management.