

Potential Democratic Administration Health Care Policies and Revenue Proposals

As we look towards the Democratic-controlled White House and Congress, we have evaluated the policy proposals and revenue raisers that might be offered to achieve their policy goals. Specifically, this document looks at the health care and drug pricing proposals offered by President-elect Biden during the campaign, as well as previous revenue raisers offered by Democratic Congresses and the Obama Administration.

Biden Health Care Proposal

President-Elect Biden has offered several proposals aimed at improving health care coverage and costs. Biden proposes to expand the Affordable Care Act (ACA) by increasing marketplace subsidies, adopting auto-enrollment, and offering a new public option available to those in the individual market or without employer coverage. His plan would also reduce the Medicare age from 65 to 60, establish a new long-term care tax credit, and increase funding for rural health and mental health services. As with all campaign documents, these proposals are very light on technical details which are important from both a budgetary and feasibility perspective.

While the campaign has not released cost estimates of the plan, the Committee for a Responsible Federal Budget has estimated that the plan and dedicated offsets would, on net, add \$850 billion to deficits over the 2021-2030 budget window.¹ It would save \$250 billion under their low-cost estimate and add \$1.35 trillion to deficits under their high-cost estimate. The coverage expansion and other spending provisions in Biden's plan would cost \$2.25 trillion over ten years, while cost reduction provisions would save \$450 billion, and new revenue would raise \$950 billion.

Cost of the proposal:

- Expanding the ACA and introducing a public option would cost \$1.5 trillion to \$1.9 trillion.
- Improving the affordability of long-term care through tax credits would cost \$150 billion to \$200 billion.
- Expanding rural and mental health funding would cost \$200 billion.
- Lowering the Medicare enrollment age would cost around \$200 billion.

The revenue raisers in the plan include:

- Allowing Medicare to negotiate with drug manufacturers and restricting drug launch prices would save \$200 billion to \$400 billion.
- Limiting drug price increases to the rate of inflation and a variety of smaller measures to lower drug costs (including eliminating the tax deduction for direct to consumer advertising would save \$100 billion to \$150 billion.
- Ending surprise billing and reducing health care costs would save \$50 billion.²

¹ <http://www.crfb.org/papers/understanding-joe-bidens-2020-health-care-plan>

² Estimates were performed prior to the passage of the Consolidated Appropriations Act, 2021 which included provisions addressing surprise medical billing.

- Coverage expansion revenue feedback would save \$300 billion.
- Raising the top individual income tax rate to 39.6 percent would save \$100 billion to \$150 billion.
- Increasing the capital gains taxes and taxing capital gains at death would save \$400 billion to \$1.25 trillion.

Revenue and Saver Proposals

Savers in the FY 2017 Obama/Biden Administration HHS Budget Proposal³

- Prohibits brand and generic drug manufacturers from delaying the availability of new generic drugs and biologics (“pay-for-delay”) (\$12.3 billion)
- Reduce the length of biologics exclusivity to facilitate faster development of biosimilars (\$6.9 billion)
- Increase income-related premiums under Medicare Parts B and D (\$41.2 billion)
- Encourage the use of generic drugs by low-income beneficiaries (\$9.6 billion)
- Modify the Part B deductible for new beneficiaries (\$4.2 billion)
- Introduce home health copayments for new beneficiaries (\$1.3 billion)
- Off-campus outpatient provider payment policy (\$9.3 billion)
- Program integrity investments (\$23.8 billion)
- Medicare Advantage payment reform (\$77.2 billion)
 - Establishes competitive bidding in MA
 - Standardize quality bonus payments
- Bundled payment for post-acute care (\$9.85 billion)
- Expand basis for beneficiary assignment for accountable care organizations (ACOs) (\$150 million)
- Allows CMS to assign beneficiaries to federally qualified health centers and rural health clinics participating in the Medicare Shared Savings Program (\$80 million)
- Allow ACOs to pay beneficiaries for primary care visits up to the application Medicare cost-sharing amount (\$70 million)
- Expand the ability of MA organizations to pay for services through telehealth (\$160 million)
- Adjust payment updates for certain post-acute care providers (\$86.6 billion)
- Strengthen the Independent Payment Advisory Board (\$36.3 billion)
- Reduce Medicare coverage of bad debts (\$32.9 billion)
- Encourage workforce development through targeted and more accurate indirect medical education payments (\$17.8 billion)
- Reform Medicare Hospice Payments (\$9.25 billion)
- Exclude certain services from in-office services exception (\$4.98 billion)
- Provide authority to expand competitive bidding for certain durable medical equipment (\$3.75 billion)
- Encourage appropriate use of inpatient rehabilitation (\$2.15 billion)

³ HHS estimated savings in 2016

- Reduce critical access hospital reimbursements from 101 percent of costs to 100 percent of reasonable costs (\$1.67 billion)
- Prohibit critical access hospital designation for facilities that are less than 10 miles from the nearest hospital (\$880 million)
- Align Medicare drug payment policies with Medicaid policies for low-income beneficiaries (\$121.3 billion)
- Accelerate manufacturers discounts for brand drugs to provide relief to Medicare beneficiaries in the coverage gap (\$10.2 billion)
- Modify reimbursement of Part B drugs to ASP +3% (\$7.75 billion)
- Require mandatory reporting of other prescription drug coverage (\$480 million)
- Eliminates the 190-day lifetime limit on inpatient psychiatric facility services (\$720 million)

House Drug Pricing Plan

The Elijah E. Cummings Lower Drug Costs Now Act (H.R. 3), approved by the House, is a good indicator of where Democrats would look for health care savings and how they would use them. In addition to the provisions addressing drug pricing, the bill also included provisions to expand Medicare to include dental, vision, and hearing coverage which would cost \$358 billion. It would also cap out-of-pocket costs for Medicare beneficiaries which would cost \$9.46 billion.

Specifically, the revenue raisers include:

- Drug price negotiations tied an international price index (\$456 billion)
- Prescription drug inflation rebates (\$36 billion)

Revenue Offset Provisions in the ACA⁴

- Excise Tax on High-Premium Plans (\$32 billion) (repealed by the FY 2020 spending package⁵)
- Conform the definition of medical expenses for HSAs and FSAs (\$5 billion)
- Increase in additional tax on distributions from HSAs not qualified for medical expenses to 20% (\$1.4 billion)
- Limit health flexible spending arrangements in cafeteria plans to \$2,500 (\$13 billion)
- Require information reporting on payments to corporations (\$17.1 billion)
- Imposition of annual fee on branded prescription pharmaceutical manufacturers and importers (\$27 billion)
- Imposition of annual fee on medical device manufacturers and importers (\$20 billion) (repealed by the FY 2020 spending package⁶)
- Imposition of annual fee on health insurance providers (\$60.1 billion) (repealed by the FY 2020 spending package⁷)
- Eliminate deduction for expenses allocable to Medicare Part D subsidy (\$4.5 billion)

⁴ [CBO](#) and [JCT](#) estimated savings in 2010

⁵ Further Consolidated Appropriations Act, 2020 (HR 1865)

⁶ Further Consolidated Appropriations Act, 2020 (HR 1865)

⁷ Further Consolidated Appropriations Act, 2020 (HR 1865)

- Modification of itemized deduction for medical expenses amended by the (\$15.2 billion)
- Limitation on excessive remuneration paid by certain health insurance providers (\$600 million)
- Additional hospital insurance tax on high-income taxpayers (\$210.2 billion)
- Modification of Section 833 treatment of certain health organizations (\$400 million)
- Excise tax on tanning (\$2.7 billion)
- Reductions in annual updates to Medicare FFS payment rates (\$156.6 billion)
- Temporary adjustment to the calculation of Part B premiums (\$25 billion)
- Independent Payment Advisory Board (\$15.5 billion) (repealed by the Bipartisan Budget Act of 2018 (H.R. 1892))
- Medicare Advantage rates based on fee-for-service rates (\$135.6 billion)
- New standards for Medigap plans (\$100 million)
- Medicare DSH payments (\$22.1 billion)
- Payment adjustments for Home Health Care (\$39.7 billion)
- Reinsurance and risk adjustment collections
- Hospice reform (\$100 million)
- Equipment utilization factor for advanced imaging services (\$2.3 billion)
- Revision of payment for power-driven wheelchairs (\$800 million)
- Reducing Part D premium subsidy for high-income beneficiaries (\$10.7 billion)
- Reducing wasteful dispensing of outpatient prescription drugs in Long-Term Care Facilities (\$5.7 billion)
- Evidence-based coverage of preventive services in Medicare (\$700 million)
- Limitation on Medicare exception to the prohibition on certain physician referrals for hospitals (\$500 million)
- Patient-Centered Outcomes Research (\$300 million)
- Provider screening (\$100 million)
- Enhanced Medicare and Medicaid program integrity (\$2.9 billion)
- Physicians who order items or services required to be Medicare-enrolled physicians or eligible professionals (\$400 million)
- Face to face encounter with patient required before physicians may certify eligibility for Home Health Services or Durable Medical Equipment under Medicare (\$1 billion)
- Adjustments to the Competitive Acquisition Program in Medicare for Durable Medical Equipment, Prosthetics, Orthotics, and Supplies (\$1.4 billion)
- Mandatory state use of National Correct Coding Initiative (\$300 million)
- FDA labeling changes (\$100 million)
- Biologics Price Competition and Innovation Act (\$7 billion)
- Community Living Assistance Services and Supports Act (\$70.2 billion) (repealed as part of the American Taxpayer Relief Act of 2012 (H.R. 8), known as the Fiscal Cliff Bill)