

The Truth About Medicare Accounting

- On December 19 the independent, non-partisan Congressional Budget Office released its budget analysis of the Senate health reform bill, the Patient Protection and Affordable Care Act, incorporating the Manager's Amendment.
- In that budget analysis CBO said that the legislation is fully paid for and reduces the federal deficit.
- That letter said **"CBO and JCT estimate that, on balance, the direct spending and revenue effects of enacting the Patient Protection and Affordable Care Act incorporating the manager's amendment would yield a net reduction in federal deficits of \$132 billion over the 2010-2019 period."**
- That letter also said: **"According to CBO and JCT's assessment, enacting the Patient Protection and Affordable Care Act with the manager's amendment would result in a net reduction in federal budget deficits of \$132 billion over the 2010–2019 period. In the subsequent decade, the collective effect of its provisions would probably be continued reductions in federal budget deficits if all of the provisions continued to be fully implemented."**
- The CBO uses federal unified budget accounting rules to determine how it counts spending and savings within the government.
- These rules aren't set by Democrats or Republicans – and neither party has the authority to change them.
- The unified budget accounting rules require CBO to account for savings and spending within the U.S. Treasury as a whole. Those rules say CBO must look at the whole Federal Budget when it scores legislation.
- And unified budgeting rules only look at the changes over a ten year period.
- They do not look at changes over a long period of time.
- In contrast, the trust fund account rules look at changes over a much longer period of time – 75 years.
- In contrast to the total Federal Budget, the Treasury also keeps funds for individual programs.
- Within the Treasury, numerous accounts and funds are held. These accounts and funds reflect the bills Congress promises the country it will pay – it will pay for roads with the highway trust fund and it will pay for Medicare benefits with the Medicare trust fund.

- The reason Congress keeps those special accounts is so it can keep a better eye on how spending in independent programs like Medicare is changing over a long period of time.
- When Congress proposes legislation to save money in Medicare, observers can look at those changes in two different ways: through the trust fund accounting rules or the unified budget rules. One or the other, not both at the same time.
- CBO does not use the trust fund accounting rules to estimate the effects of legislation.
- But trust fund accounting rules are important to the Medicare Trustees and Congress.
- Treasury and the Medicare Trustees are required to keep track of balance (the obligations and revenues) of the Medicare Trust Funds so that over the long run benefits can be paid for when they are due.
- That's what the trust fund accounting rules are for. Those rules are not for making estimates about the federal budget as a whole.
- The trust fund accounting rules are separate and distinct paradigms from the unified budget accounting rules.
- Today, Republicans are trying to get CBO to look at Medicare savings through the unified budget rules and the Medicare Trust fund accounting rules at the same time. **But they are two different ways of looking at the same information.**
- It's confusing, but these budgeting and trust fund accounting rules are just as confusing as they were when the Republicans passed the Medicare Prescription Drug Benefit.
- And Republicans didn't have any problems abiding by these exact same rules when they used the same budgeting to pass that bill.
- In fact, all Medicare bills passed by the congress use these two different ways of looking at the same information.
- A separate, independent agency from CBO estimates the life of the Medicare trust fund. That agency is the office of the actuary of the centers for Medicare and Medicaid services. That office estimated on December 10, 2009 that this legislation would extend the trust fund for nine more years.