



# Budget deal includes Social Security, Medicare reforms

By Sarah Ferris - 10/26/15 07:36 PM EDT

GOP leaders and the White House are pushing structural reforms to Social Security and Medicare that would avert the double-digit increases expected next year for many beneficiaries in both programs while saving billions in other areas.

A key piece of the budget deal — and one of its costliest provisions — staves off a 52 percent premium hike that would have hit 8 million Medicare Part B enrollees next year. That fix, which is the result of a glitch in federal benefits law, is estimated to cost nearly \$8 billion.

The deal would also prevent a 20 percent across-the-board cut in Social Security disability benefits for 11 million people next year, which was the result of a quickly drying-up trust fund.

"We have extended the solvency of Social Security Disability Insurance and protected millions of seniors from a significant increase in their Medicare Part B premiums and deductibles next year," House Minority Leader Nancy Pelosi (D-Calif.) wrote in a statement praising the deal Tuesday morning.

In addition to averting those increases, the deal would enact a series of changes to both the disability and Medicare programs — some of which could be tough for Democrats to stomach.

Several of Pelosi's top allies, including Democratic Caucus Chairman Xavier Becerra (Calif.), have made it clear over the last week that they would oppose any deal that decreased benefits.

But one of the key pay-fors in the deal is the extension of the 2 percent cut in Medicare payments, which was first passed under the sequester.

One offset in the deal, described as healthcare delivery reform for hospitals, would lower some provider payments by evening out the reimbursements for doctors who work out of hospitals or other locations, such as ambulatory services providers.

The policy, known as site-neutral Medicare payments, is similar to one included in President Obama's budget, which would also have gone into effect retroactively. It has been endorsed by Congress's panel of outside Medicare experts, MedPac.

The White House and GOP have also struck a major deal on an ObamaCare provision that requires large employers to automatically enroll new employees in health plans and rollover current employees.

That measure, which has been twice delayed, has not yet gone into effect. It has already passed the House as part of its budget reconciliation measure earlier this month. That change alone was expected to save about \$8 billion through 2025, according to the **Congressional Budget Office**.

In another win for Democrats, the budget deal incorporates a cost-saving strategy for Medicaid, in which generic drug-makers are required to pay additional rebates to state Medicaid programs when their drug costs increase faster than inflation.

The idea has been pushed by Sen. Bernie Sanders (I-Vt.), who is running for the Democratic presidential nomination, and Rep. Elijah Cummings (D-Md.), who say it would help save Medicaid about \$500 million over 10 years.

House Speaker John Boehner (R-Ohio) and Senate Majority Leader Mitch McConnell (R-Ky.) had pushed for "structural entitlement reforms" during weeks of talks with the White House, according to a source familiar with the talks.

"This would be the first significant reform to Social Security since 1983 and would result in \$168 billion long-term savings," the source said.

The GOP had particularly pushed for reforms to Social Security Disability Insurance (SSDI), which would see stronger penalties for those charged with fraud and abuse, stronger oversight and reporting requirements.

The disability trust fund is facing a major budget shortfall early in 2016. This summer's grim **Social Security trustees report** found that the fund would be depleted by the fourth quarter of 2016, meaning that the government could only pay out about 80 percent of what's owed to beneficiaries.

Both parties have acknowledged problems with the 50-year-old program. Conservatives argue that the system is flawed because of outdated definitions of disability and instances of fraud and abuse, while Democrats have tried to protect beneficiaries from harsh work requirements or extra requirements.

The draft released late Monday shows that both parties made strides toward their goals without major losses for either.

Still, as the deal took shape Monday, talk of shrinking some Social Security benefits was generating strong outcry from liberal groups such as the Progressive Change Campaign Committee.

"The White House, every Democrat running for president, and every Democrat in Congress should make clear that any deal that cuts Social Security, Medicare, or Medicaid benefits would be unacceptable policy — and politically, would be wildly unpopular with voters," Adam Green, co-founder of the progressive group, wrote in a statement late Monday.

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