

## FISCAL YEAR 2008 SENATE BUDGET RESOLUTION

On March 15 the Senate Budget Committee reported its fiscal 2008 budget resolution. The budget resolution contains notable provisions relating to Medicare and the State Children's Health Insurance Program (SCHIP). It also includes funding for Federally Qualified Health Centers, and allows adjustments in discretionary spending limits for controlling health care fraud and abuse. The House Budget Committee is scheduled to take up its budget plan the week of March 21. The budget resolution is currently in the Senate.



With respect to Medicare, the budget resolution provides for \$15 billion in Medicare savings over five years to be achieved by reducing certain overpayments to health care providers. The budget resolution also establishes three deficit-neutral reserve funds for Medicare. First, the budget resolution contemplates a reserve fund that would allow for the negotiation of prescription drug prices with pharmaceutical companies under Medicare Part D. The reserve fund would be linked to legislation that would repeal the non-interference clause in Section 1860D-11(i)(1) of the Social Security Act, while maintaining access to prescription drugs and price competition without requiring a particular formulary or instituting a price structure for reimbursement of covered Part D drugs. The savings from the measure is required to be used to improve the Medicare Part D benefit or to reduce the deficit.

A second deficit-neutral reserve fund included in the budget resolution also involves Medicare Part D. This reserve fund would allow for improvements to the Medicare Part D benefit, such as changing asset requirements for the low-income subsidy, improving outreach efforts for the low-income subsidy or providing coverage for some mental health medicines that are presently excluded under the Medicare Modernization Act. The Chairman of the Senate Budget Committee could change allocations, aggregates and other levels in the resolution by up to \$5 billion to improve the prescription drug benefit under Medicare Part D as long as the spending in the legislation does not increase the deficit over the total of fiscal years 2007 through 2102.

Third, the budget resolution reflects the establishment of a reserve fund to prevent the 10 percent reduction on January 1, 2008. The reserve fund permits the Chairman of the Senate Budget Committee to revise the aggregates, allocations and other levels in the resolution for legislation that increases the reimbursement rate for physician services, as long as the spending is offset.

The budget resolution provides up to \$50 billion for SCHIP funding, including up to \$35 billion in a deficit-neutral reserve fund.

The resolution also includes \$2.6 billion for Federally Qualified Health Centers, which is a \$575 million increase from President Bush's FY 2008 budget request. Additionally, it permits adjustments in discretionary spending limits up to \$383 million in fiscal year 2008 to the health care fraud and abuse control program at the Department of Health and Human Services.

More information about the 2008 budget resolution is available at <http://budget.senate.gov/democratic>.

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