



THE SECRETARY OF HEALTH AND HUMAN SERVICES  
WASHINGTON, D.C. 20201

March 30, 2011

The Honorable Frank Pallone, Jr.  
Ranking Member  
Energy and Commerce Committee  
Subcommittee on Health  
U.S. House of Representatives  
Washington, D.C. 20515

Dear Representative Pallone:

Thank you for your March 23, 2011 letter regarding my statements before the Committee on Energy and Commerce on March 3, 2011. I remain committed to working with you and your colleagues to ensure successful implementation of the Affordable Care Act, and appreciate the opportunity to respond directly to questions regarding efficiencies in the Medicare program.

It is important to reiterate the facts: the new law will not cut guaranteed benefits for seniors or alter the current protections for Medicare beneficiaries. In fact, the Affordable Care Act will add benefits such as free prevention services, an annual wellness visit, and a phase-out of the Medicare donut hole in the prescription drug benefit. Moreover, by reducing waste, fraud, and abuse and cracking down on overpayments, the law will lower beneficiary premiums, reduce beneficiary cost sharing and, as I stated in my testimony, slow the projected growth rate of Medicare over 10 years, extending the life of the Medicare Hospital Insurance Trust Fund by 12 years.

As I have testified, the Congressional Budget Office (CBO) estimates that the Affordable Care Act will reduce the deficit by \$210 billion in the first decade and \$1 trillion in the next decade. Additionally, the Medicare Trustees estimated that the Medicare trust fund will remain solvent for an additional 12 years because of changes called for in the Affordable Care Act.

In developing these estimates, CBO and the Trustees are following the budgeting methods put into law in 1990 and used for more than two decades. Similarly, since 1981, Republican and Democratic Congresses alike have enacted at least ten laws that the CBO and the Medicare Trustees estimated would achieve savings in Medicare, extending the solvency of the Medicare Part A Trust Fund and reducing the deficit. For example, this process was used to estimate savings during the Balanced Budget Act of 1997 and the Deficit Reduction Act of 2005.

As Joseph Antos, the Wilson H. Taylor Scholar in Health Care and Retirement Policy at the American Enterprise Institute, recently testified before the Energy and Commerce Committee Subcommittee on Health, this budgeting method has been in use for many years and is not a budgeting gimmick. CBO is not double counting.

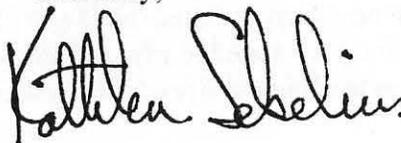
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To better understand these budget calculations, it is important to note that the Medicare savings, like other trust fund savings, are part of a larger deficit calculation. Under these longstanding budget practices, Medicare spending is part of the unified federal budget. Therefore, program changes that reduce the growth in spending contribute to reducing the budget deficit. When these changes specifically affect Medicare Part A spending, they also favorably affect solvency projections for the Hospital Insurance Trust Fund.

Paul Van de Water, a Senior Fellow at the Center on Budget and Policy Priorities, also recently testified that there is no double counting in recognizing that Medicare savings improve the status of both the Federal budget and the Medicare Trust Funds. He gave an example, "In the same way, when a baseball player hits a homer, it both adds one run to his team's score and also improves his batting average. Neither situation involves double-counting."

Thank you again for your letter and for seeking clarity in my responses to these important questions. I look forward to continuing to work with you and your colleagues to responsibly implement the Affordable Care Act and deliver its benefits to the American people. A similar response has also been provided to Representative Waxman.

Sincerely,

A handwritten signature in black ink that reads "Kathleen Sebelius". The signature is written in a cursive, flowing style.

Kathleen Sebelius