

**From:** Jacobs, Chris (RPC)  
**Sent:** Wednesday, January 18, 2012 3:58 PM  
**To:** Jacobs, Chris (RPC)  
**Subject:** CBO Gives Obamacare an Epic Fail

One of the key unanswered questions about the health law – highlighted in an interview then-Medicare Administrator Donald Berwick gave back in May (see below) – was whether and how Medicare could successfully contain costs, given that Medicare spending has skyrocketed virtually unabated since the program’s creation in 1965. An [analysis from CBO released today](#) examined this very issue, studying literally dozens of Medicare demonstration projects implemented over the years. In the brief, **CBO makes crystal clear that Medicare, and specifically its fee-for-service system, isn’t the solution – it’s the problem:**

The evaluations show that **most programs have not reduced Medicare spending:** In nearly every program involving disease management and care coordination, spending was either unchanged or increased relative to the spending that would have occurred in the absence of the program, when the fees paid to the participating organizations were considered. Programs in which care managers had substantial direct interaction with physicians and significant in-person interaction with patients were more likely to reduce Medicare spending than other programs, but on average even those programs did not achieve enough savings to offset their fees....

**Demonstrations aimed at reducing spending and increasing quality of care face significant challenges in overcoming the incentives inherent in Medicare’s fee-for-service payment system,** which rewards providers for delivering more care but does not pay them for coordinating with other providers, and in the nation’s decentralized health care delivery system, which does not facilitate communication or coordination among providers.

The reasons for these programs’ failure to contain spending were myriad: care was not fully integrated; the new care management fees did not offset the meager savings in Medicare spending; the demonstration programs had too few participants to accurately determine cost savings; some providers may have inflated risk scores to generate additional payments.

The Washington Post called the CBO study a “[Medicare fail](#).” But in reality, the study is an OBAMACARE fail, because it undermines the two prime underpinnings of the entire 2700-page health care law:

1. That Congress could afford to pass a massive new \$2.6 trillion entitlement, because it would ultimately lead to a slowdown in the growth of Medicare spending; and
2. That Medicare could be a model to drive changes to the broader health care system.

The CBO brief annihilates both theories, virtually obliterating the (already shaky) underpinnings behind this massive entitlement expansion.

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**From:** Jacobs, Chris (RPC)

**Sent:** Monday, May 23, 2011 4:08 PM

**To:** Jacobs, Chris (RPC)

**Subject:** The Unanswered Question on Containing Costs: Is This Time REALLY Different?

CMS Administrator Berwick appeared on C-SPAN's Newsmakers program over the weekend (video available [here](#)), and the program included a very key exchange regarding the ability of government to improve health care costs and quality. The Los Angeles Times' Noam Levey noted that more than 45 years after its creation, Medicare costs still continue to rise unabated, and care is as fragmented as it's always been. He asked Dr. Berwick: "Why should the public when it hears you, when it hears the President say, 'Don't worry – this time we're going to make it better, we're going to give you a more efficient, higher-quality health care system,' **why should they believe that the federal government can do now what it essentially hasn't really been able to do for close to half a century?**"

Dr. Berwick didn't answer the question – in fact, his response raised more questions than it answered. He said that the problems of higher costs and fragmented care "are not Medicare problems – they're health care system problems." But isn't the entire premise of Democrats' health reform centered on

the belief that Medicare should be a model for our health care system? If so, why did Dr. Berwick attempt to fob Medicare's problems off on the health care system generally – as a model for the entire health system, shouldn't Medicare be responsible for systemic flaws in our current methods of care?

Therein lie the questions that Democrats haven't answered regarding their controversial health care law. **If the law's supporters intend for Medicare to drive the health care innovations of the future, then that by definition means Medicare is the root cause of our current health system difficulties. It therefore also means that Democrats need to explain why government, having caused many of the structural problems plaguing our health care system, can now create a solution in a way it has not for nearly 50 years.**

Our nation is currently recovering from a housing and financial crisis sparked in part by the herd mentality that suggested "this time is different" when it came to constantly rising house prices. Given Dr. Berwick's comments this weekend, many may wonder whether Democrats have exacerbated our fiscal crisis by failing to explain why this time is different with respect to the ability of government bureaucrats to contain costs (without resorting to arbitrary rationing to do so).