Congress of the United States
Washington, DC 20515

October 29, 2009

Douglas W. Elmendorf
Director
Congressional Budget Office
Ford House Office Building, 4th Floor
Second and D Streets, SW
Washington, DC 20515-6925

Dear Mr. Elmendorf:

For years, the Congressional Budget Office has warned Congress that rising health care costs are the single largest threat to our long-term fiscal picture, our economy and the pocketbooks of America's families. In order to get a handle on our deficits and address the long-term financial liabilities of Medicare and Medicaid, we must take steps to reduce the growth rate of health care costs.

Without any changes, CBO estimates that net federal spending on Medicare and Medicaid will increase from 4 percent of GDP to 20 percent over the next fifteen years. Overall spending on health care will rise to 25 percent of GDP over the same period with per capita spending on health care continuing to grow more rapidly than the economy as a whole. Simply put, this path is unsustainable.

In your preliminary estimate, the gross cost of the coverage provisions included in the Affordable Health Care for America Act (H.R. 3962) is $1.055 trillion over ten years. In the second ten years, CBO estimates that this legislation would reduce the deficit between zero and one-quarter percent of GDP, but notes the "calculation reflects the greater degree of uncertainty that attends to it, compared with CBO's 10-year budget estimates, and the effects of the bill could fall outside of that range."

Your letter leaves unclear, however, whether the Affordable Health Care for America Act takes the steps necessary to effectively "bend the cost curve." Before the Senate Budget Committee in July, you testified, "In the legislation that has been reported we do not see the sort of fundamental changes that would be necessary to reduce the trajectory of federal health spending by a significant amount. And on the contrary, the legislation significantly expands the federal responsibility for health care costs."

In order to make an informed decision about the legislation, we believe it is necessary to have as full and clear a description of its long-term budgetary effects as CBO can provide.

- Would this legislation reduce the long-term rate of growth in federal health spending?
- In your judgment, what policy changes, if any, to this legislation could reduce the rate of growth in federal health spending?

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- Your June letter to Senator Kent Conrad recommended a series of policies that would affect federal spending over the long term. Are there recommendations mentioned in that letter that could reduce the rate of growth that are not included in this legislation?

We understand that national health expenditures (NHE) are not traditionally estimated by CBO, as they include non-public spending. However, due to broad reforms to the non-public health sector in this bill, an estimate of its effects on the trajectory of NHE will provide a better understanding of the potential of these reforms to contain costs in the aggregate.

- Would this legislation reduce the rate of growth in national health expenditures?
- In your judgment, what policy changes, if any, to this legislation could reduce the rate of growth in national health expenditures?

Your letter provides a useful projection for the legislation's effect on the deficit in the second ten years. Given that the legislation is projected to have declining deficits toward the end of the ten year window and essentially no deficit effect in 2019, we would appreciate clarification on factors contributing to your projection that deficits may decrease over the second ten years.

- To what degree of certainty, can you determine that this legislation will not increase the deficit in the second ten years?
- What factors contribute to increases in the deficit within CBO's range of deficit outcomes for the second ten years?

As the President has said, our health care problem is our deficit problem. As Blue Dogs, we remain committed to ensuring that legislation in the House is not only deficit neutral, but contains costs and is fiscally responsible over the long-term. By reducing costs, we will make health care more affordable and take great strides in relieving the pressure on the wages and pocketbooks of American families.

Thank you for your attention to this request. We look forward to your prompt, written response.

Sincerely,

Rep. Stephanie Herseth Sandlin
Blue Dog Co-Chair, Administration

Rep. Baron P. Hill
Blue Dog Co-Chair, Policy

Rep. Jim Matheson
Blue Dog Co-Chair, Communications

Rep. Heath Shuler
Blue Dog Whip