DRIVING PRIVATE HEALTH CARE SPENDING BELOW THE RATE OF MEDICAL INFLATION: DOCUMENTATION

Understanding the legislative language that sets the required target below the rate of medical inflation requires following a very convoluted path:
Beginning on p. 834, Section 10320(a)(5) of The Patient Protection and Affordable Care Act (available at http://www.opencongress.org/bill/111-h3590/show) adds (o) to Section 3403:

"o) ADVISORY RECOMMENDATIONS FOR NON-FEDERAL HEALTH CARE PROGRAMS.—(1) IN GENERAL.—Not later than January 15, 2015, and at least once every two years thereafter, the Board shall submit to Congress and the President recommendations to slow the growth in national health expenditures (excluding expenditures under this title and in other Federal health care programs) . . . such as recommendations— (A) that the Secretary or other Federal agencies can implement administratively;" . . . (2) COORDINATION.– In making recommendations under paragraph (1), the Board shall coordinate such recommendations with recommendations contained in proposals and advisory reports produced by the Board under subsection (c)." The reference is to Section 3403 (c) which [in Sec. 3403 (c)(2)(A)(I)] provides for Board reports with recommendations that "will result in a net reduction in total Medicare program spending in the implementation year that is at least equal to the applicable savings target established under paragraph (7)(B) for such implementation year." That paragraph [Sec. 3403 (c)(7)(B)] defines the applicable savings target through 2017 as reducing projected spending by either a percentage *halfway between* medical inflation and general inflation [Sec. 3403 (c) (6)(C)(I)], or a specified percentage differing with each year (in 2015, .5%; in 2016, 1%; in 2017, 1.25%; in 2018 and subsequent years, 1.5%), whichever is less. In 2018 and later years, "the nominal gross domestic product per capita plus 1.0 percentage point" is substituted for the percentage halfway between medical and general inflation in this formula [Sec. 3403 (c)(6)(C)(ii)].

What this means is that the Board's target for reduction in *private* (nongovernmental) health care spending must be "coordinated" with its target for reduction of Medicare spending; in turn, for 2015 through 2017 that target is a varying percentage below projected medical inflation, or halfway between projected general and medical inflation, whichever is less. For 2018 on, it is the difference between projected medical inflation and either projected GDP per capita plus 1%, or 1.5%, whichever is less. In all years (after 2015), the target is below projected medical inflation.