



THE DIRECTOR

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

July 17, 2009

The Honorable Nancy Pelosi
Speaker of the House
of Representatives
Washington, DC 20515

Dear Madam Speaker:

As you are well aware, soaring health care costs make our current course unsustainable – for both our families and our businesses. Moreover, the ever-increasing cost of Medicare and Medicaid are among the main drivers of long-term budget deficits that are threatening our economic future. Fortunately, because of your hard work and the efforts of your colleagues, we are now closer to the goal of fiscally responsible health care reform than we ever have been.

We agree that it is critical that health care reform is not only deficit neutral over the next decade, but that it does not add to our deficits thereafter. That is why the President, in his June 3, 2009, letter to Senators Kennedy and Baucus, expressed his openness to ideas about giving special consideration to the recommendations of the Medicare Payment Advisory Commission (MedPAC). One constructive approach to implementing this idea is embodied in legislation introduced by Senator Rockefeller that would make MedPAC an independent Executive Branch agency, empowering it to improve efficiency and performance throughout the Medicare system.

A similar approach to creating a more dynamic and efficient Medicare system is embodied in the attached draft legislation. This draft bill would establish an Independent Medicare Advisory Council (IMAC), which would have the authority to make recommendations to the President on annual Medicare payment rates as well as other reforms. Both the annual payment updates and the broader reforms would be prohibited from increasing the aggregate level of net Medicare expenditures.

This proposed legislation would require the President to approve or disapprove each set of the IMAC's recommendations as a package. If the President accepts the IMAC's recommendations, Congress would then have 30 days to intervene with a joint resolution before the Secretary of Health and Human Services is authorized to implement them. If either the President disapproves the recommendations of the IMAC or Congress passes such a joint resolution, the recommendations would be null and void, and current law would remain in effect. The review process would permit intervention if the IMAC's reforms are not in keeping with the goals of Congress or the President, while retaining autonomy for implementing annual payment updates and other Medicare reforms for the IMAC.

Either the Rockefeller proposal or the attached legislation would represent a critical step forward in creating a health care system that rewards quality, restrains unnecessary costs, and provides better care to more Americans. I respectfully request that you and your Committees consider these proposals as you continue your important work of reforming health care and laying a new foundation for economic growth for our nation.

Sincerely,

A handwritten signature in black ink, appearing to read 'P. Orszag', written in a cursive style.

Peter R. Orszag
Director

Enclosures