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S. 610 – [Protecting Medicare and American Farmers from Sequester Cuts Act]

BACKGROUND: Sequestration is an automatic spending reduction of certain federal programs, usually by a percentage of the funds spent. Generally, this budget enforcement mechanism has been included in legislation to encourage or discourage spending goals. If these spending goals are not achieved, a "sequester" is triggered with spending cuts to specific federal programs. Recently, sequestration was included in the Budget Control Act of 2011 with spending cuts set to take effect to programs such as Medicare for Fiscal Year 2013 through Fiscal Year 2021. Legislation has been enacted to prevent these cuts with the Coronavirus Aid, Relief, and Economic Security Act (CARES), the Consolidated Appropriations Act of 2021, and H.R. 1868, Preventing Across-the-Board Direct Spending Cuts. Without further action, Medicare sequestration will be triggered on December 31.

The Statutory Pay-As-You-Go Act (Statutory PAYGO) of 2010 is a budgetary enforcement mechanism designed to control the effects of newly enacted legislation on the deficit by restricting increases in spending and reductions in revenue. Statutory PAYGO directs the Office of Management and Budget to publish a report after each Congressional session, referred to as the "scorecard," which calculates the budgetary effects of all enacted legislation subject to PAYGO for rolling 5-year and 10-year periods. If the scorecard shows that enacted legislation increased the federal deficit over that time, the executive branch is required to cut spending to offset the increase via a sequestration order implementing across-the-board cuts to nonexempt direct spending programs. Medicare payments are subject to sequester under Statutory PAYGO, with a 4% cap. Programs subject to full sequester include: agriculture subsidies, student loans, Social Services Block Grant, and certain health care spending. Exempted programs include Social Security, veterans' benefits, Medicaid, the Supplemental Nutrition Assistance Program, and Supplemental Security Income.

The debt limit is the total amount of money that the United States government is authorized to borrow to meet its existing legal obligations, including Social Security and Medicare benefits, military salaries, interest on the national debt, tax refunds, and other payments. The debt limit does not authorize new spending commitments, but rather allows the government to finance existing legal obligations. Failing to increase the debt limit would have catastrophic economic consequences and would cause the government to default on its legal obligations – an unprecedented event in American history. Since 1960, Congress has acted 78 times to permanently raise, temporarily extend, or revise the definition of the debt limit – 49 times under Republican presidents and 29 times under Democratic presidents. Most recently, on October 14, 2021, President Biden signed into law, S. 1301, Increasing the Public Debt Limit by $480 billion. Without further action, Treasury Secretary Yellen warned the federal government could default on its debt soon after December 15.

LEGISLATIVE HISTORY: On March 4, 2021, Senator Kaine (D-VA) introduced S. 610. On June 8, the Senate Committee on Health, Education, Labor, and Pensions favorably reported the bill by voice vote. On July 6, the bill passed the Senate by voice vote.

MAJOR PROVISIONS: S. 610, as amended by Rules Committee Print 117-22, would extend the suspension of Medicare sequestration through March 31, 2022, prevent Statutory PAYGO sequestration through 2022, and create an expedited process for the Senate to consider legislation increasing the debt time. Specifically, the bill:

- Provides a three-month delay of the Medicare sequestration reductions and a three-month, one percent reduction in Medicare sequestration payment reduction.
- Provides a one-year increase in the Medicare physician fee schedule of 3 percent to support physicians and other health professionals in adjusting to changes in the Medicare physician fee schedule during 2022.
- Provides a one-year delay of Medicare payment reductions to the clinical laboratory fee schedule and the private payer laboratory data reporting requirements.
- Provides a one-year delay of the implementation of the Medicare radiation oncology model.
- Increases funding for the Medicare Improvement Fund by $101,000,000.

- Prevents Statutory PAYGO sequestration through 2022, preventing automatic across-the-board cuts to Medicare, farm programs, social services, student loans, resources for students and individuals with disabilities, among other programs.
- The bill would create in law a one-time expedited process lasting through January 16, 2022, for the Senate to consider legislation increasing the debt limit by a specific dollar amount at a simple majority threshold.

CBO ANALYSIS: A CBO cost estimate is not yet available for S. 610.