

Payment Matters®

Update on Medicare and Medicaid Payment Issues

[Subscribe](#)

[Payment Group](#)

[Payment Matters Archive](#)

November 18, 2010

www.ober.com

IN THIS ISSUE

[CMS's Outpatient Supervision Rules – A Moving Target](#)

[Therapy Changes, Face-to-Face Encounter Provisions and Enrollment Changes are Highlights of CY 2011 Home Health PPS Final Rule](#)

[Deficit Reduction Commission Recommends Cuts to Federal Health Care Costs](#)

Editors: [Leslie Demaree Goldsmith](#) and [Carel T. Hedlund](#)

Deficit Reduction Commission Recommends Cuts to Federal Health Care Costs

By: [Susan A. Turner](#)

On November 10, 2010, the National Commission on Fiscal Responsibility and Reform, a bipartisan commission created by President Obama to address the fiscal challenges facing this country, issued a [draft co-chairs' proposal \[PDF\]](#) intended to reduce the federal deficit to sustainable levels by 2015, and to balance the budget by 2037.

The co-chairs of the Commission explained that they were recommending that "ALL excess spending" be cut, even if that spending is in traditional entitlement programs, and they specifically identified the "reduction in long-term growth in health care costs" as a goal of the proposal. The draft includes a Five Part Plan, with the control of health care costs playing a front-and-center role as a mandatory linchpin of the proposal.

The Commission's draft includes a moderate amount of specificity about how to achieve the Plan's cost savings. For example, the draft proposes to offset the cost of fixing the sustainable growth rate adjustment (the SGR, or "doc fix") by (1) paying doctors and other providers less, improving efficiency, and rewarding quality by speeding up payment reforms and increasing drug rebates; (2) paying lawyers less and reducing the cost of defensive medicine by adopting comprehensive tort reform; (3) expanding cost-sharing in Medicare to promote informed consumer health choices and spending; (4) expanding successful cost containment demonstrations; (5) strengthening the Independent Payment Advisory Board (IPAB); and (6) recommending additional health savings.

The proposal includes examples of cost savings that can be gained by the following changes to payments to providers:

Payment Matters®

Update on Medicare and Medicaid Payment Issues

[Subscribe](#)

[Payment Group](#)

[Payment Matters Archive](#)

- cutting Medicare payments for bad debt;
- cutting federal spending for graduate and indirect medical education costs;
- accelerating the phase-in of DSH payment cuts, Medicare Advantage and home health cuts called for in the health insurance reform bill;
- reducing the taxes that states can levy on health providers (taxes that are used to increase Medicaid payments to the providers that pay the taxes); and
- converting the federal share of Medicaid payments for long-term care to a capped allotment.

The proposal also identifies anticipated costs savings as a result of the following actions:

- placing dual-eligible individuals in Medicaid managed care programs;
- establishing national standards for regulating and administering health insurance;
- reforming Federal Employee Health Benefit retiree plans to increase cost sharing for federal civilian retirees; and
- reforming Tricare for Life to increase cost sharing for military retirees.

Ober|Kaler's Comments

It is impossible to predict how Congress will react to these proposals. Providers should take this opportunity to evaluate the impact on their fiscal bottom lines if any or all of the deficit reduction proposals are accepted by Congress. Providers should also be aware that regardless of whether Congress enacts legislation that adopts or rejects these proposals, CMS will continue to be looking for ways to reduce health care costs.