

MEDICARE NEWS

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AFFORDABLE CARE ACT SAVING MONEY FOR MEDICARE AND TAXPAYERS New CMS Report Shows Savings of Nearly \$8 Billion by 2012

Medicare will see savings of nearly \$8 billion by the end of 2012 with the implementation of the Affordable Care Act, the Centers for Medicare & Medicaid Services (CMS) reported today.

In a new study examining the impact of the new law and actions taken to achieve its goals, available at www.cms.gov, CMS reports that savings to Medicare will rise to more than \$575 billion over the next decade. These reforms include new provisions that will improve the quality of care, develop and promote new models of care delivery, appropriately price services, modernize the health system, and fight waste, fraud, and abuse. The Affordable Care Act is projected to more than double the life of the Medicare Trust Fund, extending its life from 2017 to 2029.

“For years, skyrocketing health care costs have been driving up our federal deficit, draining the Medicare trust fund, burdening American businesses, eating up more and more of our paychecks, and putting needed treatments and medicines out of reach for families,” said Health and Human Services Secretary Kathleen Sebelius. “The passage of the Affordable Care Act came at a critical time; in addition to bringing some much-needed fairness to our health insurance markets, the new law also makes a wide range of improvements to Medicare that will cut waste and fraud and shift resources towards high-quality care. Today’s report shows how big – and how fast – an impact these reforms will have.”

The nation’s health care costs were expected to continue to skyrocket until President Obama and Congress took the historic steps necessary to pass the new law. Since that time, HHS has been hard at work implementing various provisions to ensure coverage for as many people as possible while addressing the nation’s rising health care costs.”

Since the law was signed into law in March 2010, CMS has begun implementing a number of key provisions that, when combined with other ongoing efforts, will save Medicare an estimated \$8 billion within the next two years and approximately \$418 billion by 2019. In addition, beneficiaries should expect to see savings of about \$200 a year on what their Medicare Part B premiums would have been without the new law – and about the same in reduced cost sharing.

“The Affordable Care Act helps us ensure the solvency of Medicare for nearly 20 years,” said CMS Administrator Don Berwick, M.D. “But just as importantly, Medicare beneficiaries will see significant savings in their own pockets through our efforts to keep premiums and cost sharing as low as possible.”

Some of the provisions of the Affordable Care Act that CMS has implemented include issuing new rate structures for Medicare Advantage plans, reprogramming current provider payment rates, and promulgating regulations for payment policies that will take effect for the upcoming rate year.

More specifically, the report shows CMS is working to:

- Improve the quality of care delivered to people with Medicare by:
 - Reducing unnecessary hospital readmissions,
 - Reducing the number of hospital acquired conditions, and
 - Creating bundled payments for serving patients with End Stage Renal Disease (ESRD).
- Reform the Medicare health care delivery system by:
 - Creating Accountable Care Organizations,
 - Establishing the Center for Medicare and Medicaid Innovation, and
 - Creating an Independent Payment Advisory Board.
- Implement appropriate pricing and health system modernization by:
 - Phasing out excessive payments to Medicare Advantage plans,
 - Implementing improvements to productivity and market basket adjustments in certain provider settings,
 - Modifying the equipment utilization factor for advanced imaging,
 - Rewarding better care,
 - Implementing administrative simplification measures, and
 - Continuing the competitive bidding program for durable medical equipment.

In addition to the tools provided to CMS in the Affordable Care Act to more aggressively fight waste, fraud and abuse in Medicare, HHS and CMS have been working closely with the Department of Justice (DOJ) in expanding and enhancing the efforts of the Health Care Fraud Prevention Enforcement Action Team (HEAT), including Medicare Strike Forces.

As part of the HEAT efforts in 2009, about \$1.63 billion were won or negotiated in judgments and settlements. The Medicare Trust Fund received approximately \$2.51 billion, in addition to over \$441 million in Federal Medicaid funds as a result of these efforts. The Health Care Fraud and Abuse Control Program (HCFAC) has returned over \$15.6 billion to the Medicare Trust Fund since the program began in 1997.

The Affordable Care Act builds on these efforts by:

- Keeping bad actors out of Medicare,
- Implementing targeted and efficient anti-fraud activities,
- Using new resources in the fight against fraud,
- Ensuring patients have face-to-face encounters with their providers before receiving home health services or durable medical equipment use, and
- Ensuring transparency of ownership and ensures provider compliance with Medicare's requirements.

“We are working diligently to implement the new law. We plan to issue additional guidance and regulations to assist Medicare and Medicaid providers with implementation,” said Dr. Berwick.

Without enactment of the Affordable Care Act, the nation's already excessive health care spending would have reached unsustainable levels within the next few decades. The Congressional Budget Office projected in 2009 that national health care spending would be 31 percent of the Gross

Domestic Product (GDP) by 2035 and 46 percent of GDP by 2080. The Medicare Trustees projected in 2009 that the Hospital Insurance (HI) Trust Fund, which pays for Medicare services, would be insolvent in eight years, by 2017.

Beyond the threat health care costs pose to the nation's budget as a whole, American families suffered from high health costs, spending over 24 percent of household consumption dollars on health care in 2009. The new law and actions taken to implement its policies and goals will make health care affordable and accessible for all Americans.

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