

Summary of Health Provisions in Payroll Tax Conference Agreement

Key Points:

- **PROTECTS MEDICARE BENEFICIARIES:** Democrats successfully fought Republican efforts to dramatically increase costs for Medicare beneficiaries.
- **PRESERVES ACCESS TO AFFORDABLE HEALTH CARE UNDER THE ACA:** Democrats prevented Republican efforts to increase taxes on middle-income families and undermine the ACA's expansion of health coverage. The Republican proposal would have resulted in more than 170,000 individuals losing health coverage.
- **PREVENTS MAJOR MEDICARE PHYSICIAN PAY CUT:** Averts a 27 percent cut to Medicare physician payments for the remainder of this year, ensuring Medicare beneficiaries will continue to have access to their physicians. However, House Republicans missed an opportunity to repeal the Medicare sustainable growth rate (SGR) system by stubbornly refusing to use savings from reducing overseas war spending. Since House Republicans failed to either permanently repeal the flawed formula or pay for the debt from the flawed formula, the bill makes it more expensive to fix the problem next year.

Health Extenders Included in Payroll Tax Agreement:

Extension of Freeze on Medicare Physician Payment Rates. Under current law, Medicare physician payment rates face a 27.4 percent cut on March 1. This provision extends current payment rates through December 31, 2012. *The cost of this provision is \$18 billion over eleven years.*

Extension of MMA section 508 reclassifications. Under current law, hospital geographic reclassifications authorized under section 508 of the Medicare Modernization Act expired on December 1, 2011. The bill would extend these reclassifications through March 31, 2012. *The cost of this provision is \$100 million over eleven years.*

Extension of Medicare work geographic adjustment floor. This provision boosts payments for the work component of physician fees in areas where labor cost is lower than the national average. The provision would extend the existing 1.0 floor on the "physician work" index through December 31, 2012. *The cost of this provision is \$400 million over eleven years.*

Extension of exceptions process for Medicare therapy caps. Current law places annual per beneficiary payment limits on outpatient therapy services provided by non-hospital providers, however beneficiaries can get an exception to the cap for medically necessary therapy services. This provision extends the exceptions process through December 31, 2012. The provision also expands the cap on outpatient therapy services by applying both the cap and exceptions process to therapy services provided in hospital outpatient departments. Both the exceptions process and expansion of the therapy caps to the outpatient setting expire at the end of 2012. *The net cost of this provision is \$700 million over eleven years.*

Extension of payment for technical component of certain physician pathology services. The provision would extend the ability of independent laboratories to receive direct payments for the technical component for certain pathology services through June 30, 2012. *The estimated cost of the provision is \$100 million over eleven years.*

Extension of ambulance add-ons. The provision would extend the add-on payment for ground and air ambulance services, including in super rural areas, through December 31, 2012. *The cost of this provision is \$100 million over eleven years.*

Extension of outpatient hold harmless provision. Under current law, the outpatient hold harmless provision expires on February 29, 2012. This provision extends the outpatient hold harmless provision through December 31, 2012, except for sole community hospitals with more than 100 beds who will no longer be held harmless. *The cost of this provision is \$100 million over eleven years.*

Extension of the qualifying individual (QI) program. This program assists low-income Medicare beneficiaries with incomes between 120 percent and 135 percent of poverty in covering the cost of their Medicare Part B premium. Under current law, QI expires February 29, 2012. The provision would extend the QI program until December 31, 2012. *The cost of this provision is \$600 million over eleven years.*

Extension of Transitional Medical Assistance (TMA). Transitional Medical Assistance (TMA) allows low-income families to maintain their Medicaid coverage for up to one year as they transition from welfare to work. Under current law, TMA expires February 29, 2012. The provision extends TMA until December 31, 2012. This provision protects access to healthcare for over 100,000 people who would have lost coverage under the House Republican passed bill because of new paperwork requirements on States and families. *The cost of this provision is \$1.1 billion over eleven years.*

Eliminated Health Extenders:

The bill fails to extend two Medicare provisions that were included in the Temporary Payroll Tax Cut Continuation Act enacted in December.

Mental Health Add-On: Medicare payments for certain mental health services have been increased to ameliorate a past payment reduction that disproportionately affected non-physician mental health providers. This provision will expire on March 1, 2012.

Payment for Bone Density Tests: Dual energy x-ray absorptiometry (DXA) is a test measuring bone mineral density to identify individuals who may have osteoporosis, or are at risk of osteoporosis. These tests currently receive a special Medicare payment amount, which will expire on March 1, 2012.

Health Offsets Included in Payroll Tax Agreement:

Reduction of Bad Debt Treated as an Allowable Cost. Medicare reimburses certain providers between 70 and 100 percent for beneficiaries' unpaid coinsurance and deductible amounts after reasonable collection efforts ("bad debt"). Providers affected by this policy include hospitals, critical access hospitals, dialysis clinics, skilled nursing facilities, federally qualified health centers, community mental health centers and rural health clinics. The provision would phase down bad debt reimbursement for *all* providers for *all* populations to 65 percent. Providers currently receiving 100 percent reimbursement for their bad debt would have a three-year transition of 88 percent, 76 percent, and 65 percent, respectively. Providers currently reimbursed at 70 percent for their bad debt would be reduced to 65 percent. This provision does not continue the existing accommodation for bad debt incurred by SNF providers on behalf of dual eligibles, which is currently reimbursed at 100 percent. *The savings from this policy are \$6.9 billion over 11 years (2012-2022).*

Prevention and Public Health Fund. The ACA established the Prevention and Public Health Fund to help shift the focus of the health care system to prevention rather than treatment. Last year the Fund invested in proven community-based programs in over 60 States and communities serving approximately 120 million Americans. Authorizations to the fund increase from \$500 million in 2010 to \$2 billion in 2015 and each year thereafter and total \$17.75 billion for FY12-FY21. The provision reduces the authorized amount for the Fund, for a reduction in spending of \$5 billion. This does not account for further cuts anticipated in the sequestration that will go into effect beginning in FY 2013. *The savings from this policy are \$5 billion over 11 years.*

Rebasing Medicaid State DSH Allotments. Medicaid Disproportionate Share Hospital (DSH) payments provide additional payments to hospitals that serve a disproportionate number of low-income patients. The Affordable Care Act (ACA) reduced DSH payments, starting in 2014, to reflect the expected decrease in uncompensated care as reform increases the number of patients with insurance. This policy would extend the DSH payment reductions for an additional year, through fiscal year 2021. *The savings from this policy are \$4.1 billion over 11 years.*

Technical Correction to the Disaster Recovery FMAP Provision. The ACA included a provision known as the 'disaster-recovery FMAP' designed to help states adjust to drastic changes in FMAP following a statewide disaster. Once triggered, the policy would provide assistance for as many as seven years following the disaster, as long as the state continued to experience an FMAP drop of more than three percentage points. This policy makes a technical correction to recoup monies not intended for disaster relief. *The savings from this policy are \$2.5 billion over eleven years.*

Rebase Medicare Clinical Laboratory Payment Rates. Medicare pays for clinical laboratory services under carrier-specific fee schedules subject to national payment limits. Most lab services receive the national payment. This policy reduces clinical lab payment rates by 2 percent in 2013. *The savings from this policy are \$2.7 billion over ten years.*