

TESTIMONY OF U.S. REPRESENTATIVE ALLYSON SCHWARTZ

**House Energy & Commerce Committee**

**IPAB: The Controversial Consequences for Medicare and Seniors**

**July 13, 2011**

Chairman Pitts, Ranking Member Pallone, thank you for the opportunity to testify today on an issue of great importance to the health care community and the patients they serve.

I have been and continue to be a strong supporter of the Affordable Care Act. The potential for savings is significant. The Centers for Medicare and Medicaid Services (CMS) Office of the Actuary estimates that – over the course of 10 years – the Affordable Care Act will save the Medicare program more than \$400 billion by reducing medical errors and unnecessary duplication of services, attacking fraud and abuse, reducing overpayments to insurance companies, increasing access to cost-effective primary care services, improving care coordination across health care settings and transitioning to payment systems that reward value. In the long-term, the Congressional Budget Office (CBO) estimates that the law will reduce the deficit by more than \$1 trillion over the next 20 years. And that's just the beginning.

My decision to support repeal of the Independent Payment Advisory Board (IPAB) reflects my confidence in the many cost-containment measures in the law. Health care reform has the potential to fundamentally transform the health care delivery and payment systems by creating a variety of models for improved delivery of care by incentivizing high quality, greater efficiency, and better outcomes. Successful implementation will ensure that seniors get the right care at the right time at a lower cost to taxpayers.

Despite Republican claims, IPAB is not a “death panel” or a “rationing board.” These are merely scare tactics. IPAB is simply the wrong approach to achieving the right goal.

We all agree that the rate of growth in Medicare spending must be contained and that current Medicare payment systems are flawed and need to be reformed. But, we cannot conceal fundamental flaws in our health care system by simply cutting reimbursements to hospitals and physicians or, even worse, ending Medicare as we know it, as Republicans have proposed. Changing Medicare into a voucher program

means that seniors will no longer have access to a guaranteed set of health benefits and, according to CBO, the resulting increased premiums and co-insurance would increase individual seniors' out-of-pocket costs more than \$6,000 per year. This is neither better quality care nor genuine cost savings – it is merely shifting the cost to seniors.

Congress must accept its responsibility for legislating sound health care policy for Medicare beneficiaries, including reforms to payment systems. Turning over this responsibility, whether to insurance companies as proposed in the Republican plan, or to an unaccountable board, undermines our ability to represent the needs of seniors and the disabled and ensure their access to care.

Repealing IPAB – while preserving essential health care reforms in the Affordable Care Act – enables providers and us to focus our efforts on thoughtful innovations that will achieve cost savings by incentivizing efficient, high-quality health care. If we do not, IPAB is structured in such a way that the Board may be forced to impose cuts on a narrow sector of the health care system, ignoring the need for broader changes. Arbitrary caps on spending, absent fundamental reforms to underlying cost drivers, simply shift the cost burden. Thus, IPAB has the potential to stifle implementation of promising innovations that would address those cost drivers just as they are beginning to take shape.

The Obama administration is already implementing health care reforms to reduce the rate of growth in health care spending by holding providers accountable for reducing costs through more coordinated care, the adoption of health information technology, improved quality, and better outcomes. Accountable Care Organizations, which create incentives for health care providers to work together to lower costs while meeting quality standards and putting patients first, could save up to \$750 billion over the next 10 years.

The Center for Medicare and Medicaid Innovation, established under health care reform, is advancing initiatives such as the Patient-Centered Medical Home, Healthcare Innovation Zones and other innovative delivery models with the potential to achieve significant additional savings. The Center's recently launched Partnership for Patients initiative will save costs by bringing together hospitals, physicians and patients to dramatically reduce hospital-acquired conditions and hospitals readmissions. This program alone is expected to generate savings of up to \$35 billion. These are reforms that we should build upon to achieve greater cost efficiencies without risking access or quality. It is our job to

identify the most effective cost saving innovations and ensure that they are implemented broadly and successfully implemented across the nation.

There are tough choices ahead as we work to contain the rate of growth in health care costs. We should eliminate IPAB, reject Republicans' efforts to dismantle Medicare and focus on reshaping payment and delivery systems to reward coordination, efficiency and value to achieve cost savings. In so doing, we can meet our obligations to both seniors and taxpayers.