

Health Headlines

February 20, 2012

President's 2013 Budget Proposes \$364 Billion in Healthcare Spending Cuts Over 10 Years

President Obama's recently released 2013 proposed budget seeks a total of \$364 billion in healthcare savings over 10 years. The following are some highlights from the President's proposal that are likely to be of particular interest to those in the healthcare industry.

- Reduce coverage of Medicare bad debts from 70 percent to 25 percent over three years starting, in 2013, saving approximately \$36 billion over 10 years.
- Reduce the Indirect Medical Education (IME) adjustment by 10 percent beginning in 2014 saving approximately \$10 billion over 10 years.
- Increase income-related premiums under Medicare Parts B and D by 15 percent and maintain the income thresholds until 25 percent of beneficiaries under Parts B and D are subject to these premiums, saving approximately \$28 billion over 10 years.
- Create a home health copayment of \$100 per home health episode for new beneficiaries beginning in 2017 applicable for episodes with five or more visits not preceded by a hospital or other inpatient post-acute care stay, saving approximately \$350 million over 10 years.
- Strengthen the Independent Payment Advisory Board (IPAB), created by the Affordable Care Act (ACA) to advise Congress on policies to reduce the rate of Medicare growth, by lowering the target growth rate and giving the IPAB additional tools like the ability to consider value-based benefit design.
- Reduce payments to CAHs from 101 percent to 100 percent of reasonable costs, effective in 2013, and eliminate the CAH designation for those that are fewer than 10 miles from the nearest hospital, effective in 2014, saving approximately \$2 billion over 10 years.
- Limit State financing practices, such as intergovernmental transfers, that increase the draw-down of Federal financial participation under Medicaid by decreasing the Medicaid provider tax threshold from the current law level of 6 percent in 2014, to 4.5 percent in 2015, 4 percent in 2016, and 3.5 percent in 2017 and beyond, saving approximately \$21.8 billion over 10 years.

These and other proposed cuts are discussed in more detail in pages 33-37 and 107-117 of the President's proposed budget available [here](#). The budget also requests \$1 billion to continue implementing the ACA and \$599 million for comparative effectiveness research.

If adopted, the President's budget is projected to extend the solvency of Medicare's Trust Fund by approximately two years to about 2026. While not expected to win congressional approval, it is nonetheless instructive for those in the industry to be aware of the cost-saving measures that are under public discussion.

Reporter, *Daniel J. Hettich*, Washington, D.C., +1 202 626 9128 dhettich@kslaw.com.

Health Headlines – Editor:

Dennis M. Barry
dbarry@kslaw.com
+1 202 626 2959

The content of this publication and any attachments are not intended to be and should not be relied upon as legal advice.