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SPOTLIGHT

News Break

March 6, 2013 Issue

Sequestration Medicare Payment Reduction

While many of the sequester cuts take effect on March 1, 2013, the 2 percent reduction in the Medicare payments to providers don't kick in until one month after the Office of Management and Budget (OMB) issues its sequestration order, or April 1, and will spill over into fiscal year 2014, according to an article from Bloomberg Government. CMS has not released detailed information as to when Medicare providers could see the cuts reflected in payments for claims.

The OMB has stated that the cuts to Medicare in fiscal year 2013 would amount to \$11.1 billion out of projected total spending of \$554.3 billion. Unlike other programs subject to sequestration, the Medicare cuts are capped at 2 percent of payments to providers, with some narrow exemptions.

To date, we have not seen any analysis or documentation that provides detail on the cuts or the impact on various practitioners under Medicare Part B. Secretary of HHS, Kathleen Sebelius, sent a letter to Senator Mikulski, Chairwoman of the Senate Appropriations Committee, indicating sequestration would result in billions of dollars in lost revenues to Medicare doctors, hospitals, and other providers, who will only be reimbursed at 98 cents on the dollar for their services to Medicare beneficiaries. The letter says the cuts are effective as of March 1st. The question is when will they be applied?

You can view a copy of the OMB's *Agency Responsibilities for Implementation of Potential Joint Committee Sequestration* [here](#), a memorandum for the Heads of Executive Departments and Agencies, that builds on prior communications and attempts to address questions that have been raised as to certain categories of federal agencies activities.



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Bloomberg Government's recent analysis has offered the most detailed description of the impact of the cuts we have seen. According to their analysis on the estimates of monthly spending data:

- Cuts to Medicare may peak in June projected at 9.6 percent of total Medicare spending for that month.
- Estimated monthly sequester amounts for Parts A, B and D combined range from a low of \$806 million in November to a high of \$1.1 billion in June.
- Reductions in spending in Part A account for a majority of the automatic spending cuts to Medicare. Inpatient hospital spending accounts for the biggest share of spending under Part A, about 71 percent, while skilled nursing accounts for about 14 percent. Hospice and home health are responsible for 8.6 percent and 5.7 percent, respectively.
- Part B will account for the second largest Medicare cuts under sequestration. Spending on physicians accounts is the largest percent of spending under Part B for a single provider group, about 36 percent. Outpatient hospital spending accounts for about 21 percent of Medicare spending under Part B. Other provider services including laboratory, durable medical equipment and end-stage renal disease make up the remaining spending under Part B.
- The projected monthly sequester amounts under Part D -- for prescription drugs -- range from \$31 million in September to almost \$60 million in August.

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