HMA

Insights

POTUS FY2021 BUDGET

SUMMARY OF MEDICARE PROVISIONS

February 19, 2020

Budget Proposal Overview

- On February 10, 2020, the Trump administration proposed a Budget to Congress for fiscal year (FY) 2021.
- The proposed Budget includes both legislative and administrative proposals specific to Medicare that would reduce net Medicare spending by **$872 billion** over the next 10 years.
- The Medicare proposals in the President's Budget are consistent with this administration's stated goals of:

Advancing patient-centered care

Expanding value-based payment programs

Reforming regulations that impede care coordination

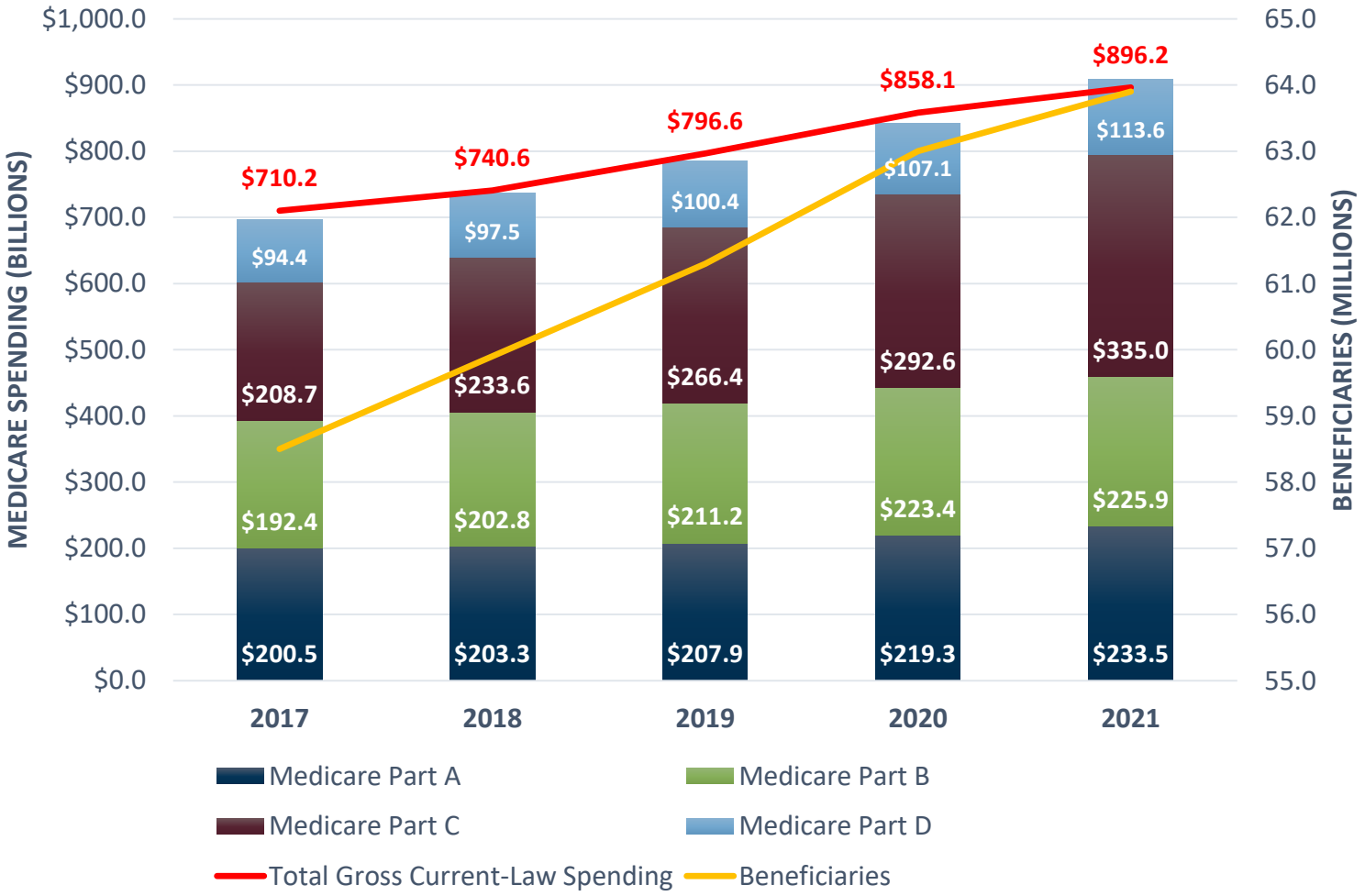
Improving transparency around price and quality

Incentivizing outcomes

Lowering prescription drug costs

Reducing administrative burden

Budget Proposals Are Intended to Slow Medicare Spending Growth



Between 2017 and 2020, total spending is projected to have increased by more than **26%**. For FY 2021, The Office of the Actuary estimates that gross current law spending on Medicare benefits will total **$896.2 billion** and the program will provide health benefits to **63.9 million** beneficiaries steadily increasing from **58.5 million** in FY 2017.

Source: 2017-2020 data, Medicare Trustees Report, 2019. 2021 data, President's Budget

Legislative Proposals Intended to Address Unnecessary Spending

Legislative Proposals are expected to yield **$756 billion** in Medicare Trust Fund savings over 10 years

Reductions in Unnecessary Spending

- **Authorize** Long-Term Care Hospital Site Neutral Exceptions Criteria, raising the intensive care unit stay threshold from three days to eight days to more accurately identify the chronically ill patients who typically receive the specialized care provided by long-term hospitals. Payment would be based on clinical characteristics and patient needs rather than location.
- **Eliminate** Medicare Reimbursement for Bad Debt at Disproportionate Share Eligible Hospitals.
- **Establish** a Unified Payment System Based on Patients' Clinical Needs Rather than Site of Care. Skilled nursing facilities, home health agencies and inpatient rehabilitation facilities will receive a lower annual Medicare payment update from FY2021-FY2025. Beginning in FY 2026, a unified post-acute care payment system would apply to all four post-acute care settings. Payment will be based on patient characteristics rather the site of service.
- **Give** Medicare Beneficiaries w/ High Deductible Health Plans the Option to Contribute to Health Savings Accounts or Medical Savings Accounts.
- **Modify** Payments to Hospitals for Uncompensated Care through reduction in Medicare payment for hospice services under the routine home care level of care when furnished in skilled nursing facilities, to account for separate Medicare and Medicaid payments already provided for personal care services in the facility.

Legislative Proposals Intended to Address Unnecessary Spending (Continued)

Legislative proposals are non-binding and serve as recommendations to Congress where they may or may not be advanced

Reductions in Unnecessary Spending (Continued)

- **Modify** Reinsurance Arrangements for Medicare Advantage Plans, allowing plans to enter into reinsurance arrangements recognized as acceptable by the National Association of Insurance Commissioners and state insurance departments.
- **Pay** All Hospital-Owned Physician offices Located Off-Campus at the Physician Office Rate.
- **Pay** On-Campus Hospital Outpatient Departments at the Physician Office Rate for Certain Services.
- **Reform** and Expand Durable Medical Equipment Competitive Bidding. Effective CY 2024, Medicare will change its DME competitive bidding process from a single payment amount based on the winning bid to each winning suppliers' own bid amount. Expansion of the competitive program will include additional geographic areas, including rural areas, inhalation drugs as a service category for the first time, and removal of the surety bid bond.
- **Remove** the cap on Medicare Advantage benchmarks and remove the doubling of Medicare Advantage Quality Bonus payments in qualifying counties. The proposal eliminates the benchmark cap in its entirety and removes the quality double-bonus for plans in eligible counties as an effort to make Medicare Advantage markets fairer and more competitive across and within county jurisdictions.

Legislative Proposals Intended to Bring Value to Healthcare

Under a Democratic-majority House, many of the legislative proposals outlined are unlikely to advance

Remove Regulatory Burden

- **Allow** beneficiaries to Opt-Out of Medicare Part A and retain Social Security benefits.
- **Eliminate** peer-reviewed journal requirement under Merit-Based Incentive Payment System.

Pay for Outcomes

- **Expand** basis for beneficiary assignment for Accountable Care Organizations, allowing the Secretary to base beneficiary assignment on a broader set of primary care providers to deliver care.
- **Implement** Value-Based Purchasing program for outpatient hospitals and ambulatory surgical centers linking 2% of payments to performance on quality and outcome measures.
- **Redesign** outpatient hospital and ambulatory surgical center payment systems to make risk adjusted payments.

Transforming Rural Health

- **Modernize** payment for Rural Health Clinics through the establishment of a new Medicare prospective payment system for rural health clinics, ensuring equitable payment for such clinics.
- **Modernize** the Medicare telehealth benefit to promote Value-Based Payment through expansion of Medicare's FFS telehealth benefit. The Secretary will be required to value telehealth services separately from similar services provided face-to-face.

Administrative Proposals are Expected to Yield an Estimated $116 billion in Savings over 10 Years

Administrative Proposals are more likely to move forward, as the administration can implement such policies through regulatory channels

Implement Medicare Advantage Risk Adjustment Model

Accelerates the phase-in of model implementation built on Medicare Advantage encounter data beginning in 2024.

Improve Clarity and Transparency of the Medicare Coverage Process

Requires CMS to issue additional guidance around the Medicare coverage process.

Encourage Adoption of High Value Innovative Technologies through Bundled Payment

CMS would use existing authorities to identify bundled payment arrangements for certain high value devices.

Strengthen the Parallel Review Process to Streamline Medicare Coverage

Enhance the collaborative effort between the FDA and CMS to improve device manufacturer participation and increase transparency.

Questions? Contact One of the Following HMA Medicare Experts

HMA continues to analyze these proposals and others included in the President's Budget. For more information or questions about the President's Budget or other legislative or regulatory proposals, please contact one of the following HMA Medicare Practice Experts.

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