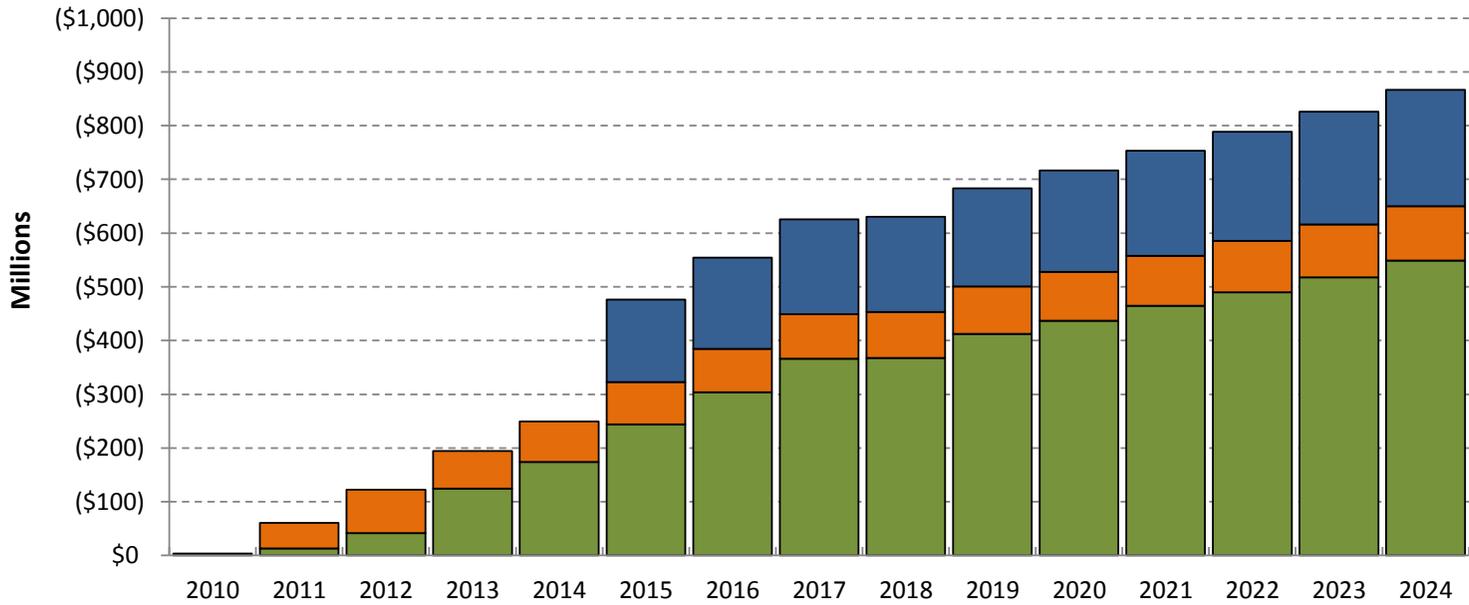


15-Year Medicare Cut Analysis

Estimated Value of Enacted Cuts & Cuts Under Consideration Since the Affordable Care Act (ACA)

Arizona

This report provides additional detail to the estimates on the first report by separating the estimates into two windows: 2010-2014 and 2015-2024. Estimates shown for 2010-2014 include all existing legislative and regulatory cuts that have already been implemented. Estimates shown for 2015-2024 include the compounded effects of permanent/prospective cuts put into effect prior to 2015, as well as cuts that will/may be implemented in the future.



		Impact of Enacted Cuts (2010-2014)	Impact of Enacted and Proposed Cuts (2015-2024)	Total Impact (2010-2024)		
Legislative (1)	ACA Marketbasket Cuts	Inpatient Marketbasket Reduction	(\$131,916,100)	(\$1,564,898,200)	(\$1,696,814,300)	
		Outpatient Marketbasket Reduction	(57,739,800)	(685,308,000)	(743,047,800)	
		Inpatient Rehabilitation Facility Marketbasket Reduction	(11,597,600)	(142,138,700)	(153,736,300)	
		Long-term Care Hospital Marketbasket Reduction	(3,716,100)	(43,974,000)	(47,690,100)	
		Inpatient Psychiatric Facility Marketbasket Reduction	(1,958,400)	(39,551,700)	(41,510,100)	
		Home Health Marketbasket Reduction	(785,300)	(13,177,000)	(13,962,300)	
		Skilled Nursing Facility Marketbasket Reduction	(80,300)	(960,800)	(1,041,100)	
		Quality	Readmissions Reduction Program	(5,704,900)	(53,176,300)	(58,881,200)
	Hospital Acquired Condition Reduction Program		-	(43,023,700)	(43,023,700)	
	Value-based Purchasing		(1,394,500)	(15,395,600)	(16,790,100)	
	Other Cuts	Sequestration (2.0% reduction to payments)	(116,454,000)	(645,471,200)	(761,925,200)	
		Medicare DSH Cuts	(11,710,800)	(786,223,300)	(797,934,100)	
		ATRA IPPS Retrospective Coding Adjustment	(11,602,800)	(106,235,800)	(117,838,600)	
Reimbursable Bad Debt reduced to 65%		(1,942,000)	(12,285,300)	(14,227,300)		
Regulatory (2)	Coding	Inpatient Prospective Coding Reduction	(\$185,214,200)	(\$823,596,800)	(\$1,008,811,000)	
		IPPS Retrospective Coding Adjustment	(81,606,800)	-	(81,606,800)	
		HH Prospective Coding Reduction	(2,549,700)	(9,669,400)	(12,219,100)	
		LTCH Prospective Budget Neutrality Adjustment	(1,801,000)	(21,024,100)	(22,825,100)	
		2-Midnight Rule Offset (0.2% Cut to Inpatient Rates)	(3,620,200)	(42,095,500)	(45,715,700)	
Total Enacted Cuts		(\$631,394,500)	(\$5,048,205,400)	(\$5,679,599,900)		
Cuts Under Consideration (3)	IME/DGME	IME Reduced from 5.47% to 2.2%		(\$315,637,800)	(\$315,637,800)	
		DGME Capped at 120% of National Average Resident Salary		(85,018,900)	(85,018,900)	
	OPD	OPD/Physician Payment Equalization-E/M Services			(127,760,200)	(127,760,200)
		OPD/Physician Payment Equalization-Targeted Services			(133,092,100)	(133,092,100)
		OPD/ASC Payment Equalization-Targeted Services			(52,616,400)	(52,616,400)
					(52,616,400)	(52,616,400)
	Rural	SCH Program Elimination			(761,787,200)	(761,787,200)
		CAH Payment Cut			(7,296,300)	(7,296,300)
	Post-Acute	Post-Acute Marketbasket Reduction			(141,066,100)	(141,066,100)
		IRF Site-Neutral Adjustment			(62,195,600)	(62,195,600)
Other Cuts	Elimination of Reimbursement for Bad Debt			(92,017,800)	(92,017,800)	
	Potential CMS Coding Cut			(93,574,100)	(93,574,100)	
Total Cuts Under Consideration				(\$1,872,062,500)	(\$1,872,062,500)	

Notes:

This analysis is intended for advocacy purposes only and indicates how existing Medicare provider payment cuts would be exacerbated by additional cuts that Congress may consider to achieve Medicare payment policy and/or long-term deficit reduction goals. The impacts shown in this analysis include the major cuts finalized since 2010 as well as several of the major cuts proposed in recent years. Due to the lack of data, some cuts enacted since 2010, are not included in this analysis (i.e. Medicaid DSH). Each cut shown in this analysis is described below.

(1) Enacted Legislative Medicare Cuts Include:

- ACA Marketbasket Cuts: The impact shown reflects the Affordable Care Act (ACA) of 2010-authorized update factor cuts.
- Sequestration Cuts: The impact shown reflects the 2.0% sequester reduction on total Medicare payments for an 11-year period (2013 - 2024).
- Medicare DSH Cuts: Impacts shown reflect the estimated reductions to the national uncompensated care payment (UCP) pool amount based on projected changes to the national uninsured rate provided by the Congressional Budget Office (CBO). Hospital specific impacts due solely to the DSH methodology change are not included in these impacts (inpatient hospitals).
- ACA-Mandated Quality Based Payment Reform (QBPR): The impacts shown reflect Inpatient Prospective Payment System (IPPS) payment adjustments related to the mandatory quality-based payment reform, including the value-based purchasing (VBP), the readmissions reduction program (RRP), and the hospital-acquired conditions (HAC) reduction program (inpatient hospitals).
- Bad Debt Payment Cuts: The impact shown reflects the Middle Class Tax Relief and Job Creation Act of 2012-authorized reduction to Medicare payments for reimbursable bad debts for all provider settings to 65%.
- ATRA IPPS Retrospective Coding Adjustment: The impact shown reflects the American Taxpayer Relief (ATRA) of 2012-authorized retrospective (one-time) coding adjustment cuts totaling at least -9.3% that CMS must implement over a 4-year period (FFY 2014-2017) (inpatient hospitals).

(2) Enacted Regulatory Medicare Cuts Include:

- Regulatory Coding Adjustments: The impacts shown reflect annual adjustments made to the standard amount/federal rate in order to recoup for increases in gross payments due solely to the transition to new DRGs and/or DRG weights. Individual coding adjustments are broken out above to indicate the relative magnitude of each coding adjustment.
- 2-Midnight Rule Offset: The impacts shown reflect the -0.2% adjustment to the IPPS federal rate established by CMS in order to offset growth in IPPS expenditures as a result of increased inpatient admissions associated with the "2-Midnight Rule".

(3) Additional Medicare Cuts Under Consideration Include:IME/DGME Cuts Under Consideration:

- IME Cuts (source: Simpson-Bowles Commission): The impact shown reflects the recommendation to cut inpatient Indirect Medical Education (IME) payments by reducing the IME reimbursement percentage of 5.47% to 2.2% (inpatient hospitals).
- DGME Cuts (source: Simpson-Bowles Commission): The impact shown reflects the recommendation to limit teaching hospital's Direct Graduate Medical Education (DGME) reimbursement to 120% of the national average salary paid to residents in 2010, updated annually thereafter (inpatient hospitals).

Outpatient Payment Equalization Cuts Under Consideration:

- OPD/Physician Payment Equalization-E/M Services—E/M Services (source: H.R. 3630): The impact shown reflects the U.S. House-approved policy from 2011 to cap payment to hospitals for outpatient evaluation and management (E/M) services at the payment level provided to physicians under the Medicare physician fee schedule.
- OPD/Physician Payment Equalization-Targeted Services (source: MedPAC policy option): The impact shown reflects a MedPAC policy option from 2013 to cap payment to hospitals for certain outpatient services (66 APCs) at the payment level provided to physicians under the Medicare physician fee schedule.
- OPD/ASC Payment Equalization-Targeted Services—Targeted Outpatient Services (source: MedPAC policy option): The impact shown reflects a MedPAC policy option from 2013 to cap payment to hospitals for certain outpatient services (12 APCs) at the payment level provided to Ambulatory Surgical Centers (ASCs) under the ASC payment system.

Rural Cuts Under Consideration:

- SCH Program Elimination (source: Congressional Budget Office): The impact shown reflects the recommendation to eliminate special inpatient payment status for sole community hospitals (SCHs) (inpatient hospitals).
- CAH Payment Cuts (source: FFY 2014 Presidential Budget): The impact shown reflects a reduction in Medicare reasonable cost-based payments to Critical Access Hospitals (CAHs) from 101% to 100% for Inpatient, Outpatient and swing bed services.

Post Acute Cuts Under Consideration:

- Post-Acute Marketbasket Reduction (source: FFY 2014 Presidential Budget): The impact shown reflects a reduction of 1.1 percent to marketbasket updates made to inpatient rehabilitation facilities, long-term care hospitals, skilled nursing facilities, and home health agencies.
- IRF Site-Neutral Adjustment (source: MedPAC policy option): The impact shown reflects a MedPAC policy option from 2014 to cap inpatient rehabilitation payments for certain conditions to the amount that would have been paid in a skilled nursing facility.

Other Cuts Under Consideration:

- Bad Debt Payment Cuts (source: Simpson-Bowles Commission): The impact shown reflects the recommendation to eliminate payment for reimbursable bad debts for all provider settings.
- Potential CMS Coding Cut (source: FFY 2015 IPPS Final Rule): The impact shown reflect an additional prospective coding adjustment cut of 0.55% to the IPPS rate for MS-DRG documentation and coding effects through FFY 2010 (inpatient hospitals).

Medicare payment data used to estimate payment changes is from CMS' payment rule Impact Files, Medicare Cost Reports (2011, 2012, and 2013), and/or Medicare Claims data (2013).

This analysis evaluates Medicare FFS payments only and dollar impacts shown in this analysis may differ from those provided by other organizations due to differences in source data and analytic methods. Dollar impacts have been rounded to the nearest hundred dollars; hence, totals may not sum and dollar amounts less than \$50 will appear as zeros due to rounding.