Reforms Expected to Save Billions for Medicare

BY MARY ELLEN SCHNEIDER

Provisions of the new Affordable Care Act, coupled with other payment changes, will save Medicare nearly $8 billion over 2 years and extend the solvency of the Medicare Trust Funds by 12 years.

The immediate savings come from cuts to Medicare Advantage payments, competitive bidding for durable medical equipment, changes to how Medicare pays for advanced imaging services, productivity improvements in the hospital, and efforts to reduce waste, fraud, and abuse, says a report from the Centers for Medicare and Medicaid Services. The changes are expected to save $7.8 billion for the Medicare program by the end of next year.

Health and Human Services Secretary Kathleen Sebelius said at a press conference that the new law will protect Medicare beneficiaries by maintaining current benefits and adding new ones such as free preventive care and the eventually closing the Medicare Part D prescription drug doughnut hole.

CMS officials estimate that Medicare savings will exceed $418 billion by 2019. Some of those savings will come from reducing hospital readmissions and hospital-acquired infections, bundling payments for end-stage renal disease care, promoting Accountable Care Organizations, and improving quality reporting by physicians. CMS also expects the establishment of the Independent Payment Advisory Board, which will recommend payment changes aimed at slowing growth in Medicare spending.

Ms. Sebelius said she expects private insurers to implement some of these payment changes as they prove effective in the Medicare program. ■