Weekly Checkup

Medicare Cut Mania

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Since President Biden used the State of the Union (SOTU) address to pledge to not cut Medicare – and POTUS-shamed Congress into agreeing (or, at least, applauding) – the swamp has been on high alert for Medicare Cut Hypocrisy (MCH). So, when earlier this week, the Better Medicare Alliance released a study ?by Avalere Health concluding that a recent Centers for Medicare and Medicaid Services (CMS) payment regulation would result in a "$540 decrease in benefits per member per year," it came under close scrutiny.

Avelere's analysis applies to only 90 percent of the 30 million Medicare Advantage (MA) beneficiaries, but still, at $540 per enrollee, this cut totals in the neighborhood of $15 billion. **If this Medicare cut were a legislative proposal, it would be characterized as a cut of $150 billion over 10 years. Real money.** Worse, the preliminary regulation was issued prior to the SOTU address. MCH alarms went off across the land.

Eakinomics covered the details earlier this week, but a key element is that CMS is changing the way it does risk adjustment. **Risk adjustment delivers higher payments to MA plans with sicker seniors in order to cover their more expensive care. Avalere estimates that these changes will reduce plan payments 3.12 percent.** But the real kicker is the way, in part, this gets done: "As a result of the model update, over 2,000 ICD-10 codes that were included in the 2023 CMS-HCC model will not be in the 2024 CMS-HCC model."

In English, conditions that were recognized as making a senior sicker in 2023 will not be recognized in 2024. ? **The change gets rid of codes such as those for pre-diabetes and other early-onset conditions. Budgetarily, this is tantamount to saying: "We gave you enough to cover these ailing seniors last year, but no longer."**? From a health policy view, it removes the incentive to identify affected seniors early and arrest the deterioration of their health.

This is bad policy, which is more important than the fact that the administration is talking out of both sides of its mouth. **But the even larger point is that Medicare reforms should run through Congress and encompass both fee-for-service Medicare and MA simultaneously. Rifle-shot administrative actions are not Medicare reform.**

Not everything that Congress does is desirable reform. In its recent Budget and Economic Outlook , the Congressional Budget Office noted that the Inflation Reduction Act (IRA) contained "a $307 billion net decrease in projected outlays for Medicare from 2023 to 2032." Moreover, that "decrease was almost entirely offset by increases in projected outlays for other programs over the 2023 to 2032 period." Those programs included increased funding for the Internal Revenue Service, a variety of clean energy provisions, and additional Affordable Care Act and Medicaid spending.

The $307 billion in Medicare cuts is nearly entirely due to the misbegotten price-controls-cum-"negotiation" in the IRA. Strike one. And the policy was not a route to extending the life of the Medicare program or improving its quality. Strike two. **And now the same president who signed the IRA is proposing more Medicare cuts, SOTU histrionics notwithstanding. Strike three.**