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POLITICS

## Medicare Cutbacks Would Trim Costs Of Baucus Bill: CBO

By DAVID HOGBERG, INVESTOR'S BUSINESS DAILY

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but you are assuming billions in Sustainable Growth Rate cuts that are never going to happen," said Michael Cannon, director of health policy studies at the libertarian Cato Institute.

The SGR is a formula put into law in the late 1990s that is supposed to trigger automatic cuts in Medicare payments to physicians if those payments grow too quickly.

According to the CBO analysis, the Baucus "proposal would increase payment rates for physicians' services for 2010, but those rates would be reduced by about 25% for 2011 and then remain at current-law levels (that is, as specified under the SGR)."

But physicians groups have opposed the SGR since 2003 and successfully pushed Congress to suspend the cuts every year since.

Baucus himself has said the SGR needs to be repealed. The American Medical Association says that it is working with Congress for a permanent SGR repeal.

The Baucus bill also reduces payments for uncompensated care for hospitals in states that trim the uninsured by 50%. That would save \$45 billion, the CBO estimates.

It further reduces Medicare payments by \$182 billion over 10 years to hospitals, hospices, skilled-nursing homes, and home health care providers based on inflation and productivity gains.

That has not sat well with hospice organizations.

"These cuts are in addition to a regulatory rate cut of 4% that we've already faced," said John Keyserling, vice president of public policy and communications at the National Hospice and Palliative Care Organization. "Two cuts are too many."

The Congressional Budget Office may have given health care overhaul proponents a boost Wednesday. But it relies on reductions in Medicare spending that, if history is any guide, could prove elusive.

The CBO's preliminary estimate of Senate Finance Committee Chairman Max Baucus' amended plan shows that it would cut the 2010-2019 deficit by \$81 billion.

The bill's net cost is \$829 billion over 10 years. That is offset by about \$397 billion in new revenues and \$605 billion in savings, the CBO says. It would reduce the uninsured by 29 million — leaving 25 million without coverage.

Ezra Klein, liberal blogger for the Washington Post, opined the CBO gave its "blessing" to the Baucus bill. "That's about as good as the Finance Committee could've hoped for," he wrote. "It means the legislation is likely to sail through committee next week."

President Obama has repeatedly vowed that health care legislation will be deficit-neutral or better.

### Political Math

But others say the savings won't come through.

"It's not going to reduce the deficit because the CBO said, in effect, yeah

But a spokesman for the Federation of American Hospitals said they are consistent with the deal FAH made with Baucus and the Obama administration to cut costs by \$155 billion over 10 years, if 91% of residents get coverage. That deal exempts hospitals from any cuts by the proposed "Medicare Commission" in the Baucus bill.

That commission would propose cuts in Medicare spending projected to exceed both regular and medical inflation. Congress would have to OK the cuts. CBO says the panel would save \$22 billion.

"The deficit picture is pretty grim," said Marc Goldwein, the policy director for Committee for a Responsible Federal Budget. "If there is a solid commitment, it will be easier for politicians to accept the decision and blame the commission. But there will always be political pressure to reverse the commission."

The Baucus plan also would cut payments for Medicare Advantage by \$117 billion. The privately run program costs more than Medicare but provides more benefits. Democrats have long singled out Medicare Advantage for cuts, but it's popular with seniors.

CBO says the bill's 40% excise tax on high-cost insurance plans would raise \$201 billion. But unions and most House Democrats oppose that idea.

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