



Great Uncertainty on Medicare Cuts

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Top administration officials said today that the Obama health care law has dramatically improved Medicare's finances. "Medicare's Hospital Insurance Trust Fund is now expected to remain solvent until 2029, 12 years longer than was projected last year," said Treasury Secretary Timothy Geithner.

But he also conceded that is easier said than done. "As we know the future is uncertain, these are very long range projections. And those reforms require that we achieve very substantial improvements in efficiency and productivity.

The trustees report openly expressed some skepticism about those savings, saying there is "great uncertainty" about the assumptions on Medicare cuts.

For instance, the health care law assumes some \$200 billion in savings from productivity gains alone. The trustees called that "far from certain." Those and other assumptions draw fire from several directions, including John Goodman of the National Center for Policy Analysis. He says extending the life of Medicare would be good news. "The problem is it's all a fantasy. It's based on assumptions that are so unrealistic that Medicare's own actuaries put out a separate report today, and I've never seen that happen before."

In fact, the office of the actuary of Medicare, a nonpolitical watchdog, issued a separate 18-page report today questioning many of the assumptions used to justify \$575 billion in cuts to Medicare. They quote an analysis saying cuts to providers -- quote-- "could jeopardize Medicare beneficiaries access to mainstream medical care...."

In the next two decades, they say cuts could also force into the red 25% of hospitals, skilled nursing facilities and home health care agencies. And many, they said, "would have to withdraw from providing services to Medicare beneficiaries."

The actuaries said they talked with several prominent health economists, and "all of them believed that the payment reductions were unsustainable."

"Half the funding for health reform is paid for by cutting spending on elderly," says John Goodman, "and the way they're going to cut spending is by squeezing the doctors and squeezing the hospitals."

Top administration officials do want to fix the fees for doctors. Those who treat Medicare patients are scheduled to have their fees whacked by 32% in the next three years. Health and Human Services Secretary Kathleen Sebelius called that "untenable", saying "If you want to destroy the Medicare program, the fastest way to do it would be to drive providers out of the program, and I think that kind of cut would do it." Fixing doctors' fees was originally in the health care bill but the administration took it out to make the changes seem less expensive. Now they say the fees have to be fixed or the new law won't work. But officials are not talking about restoring any other cuts, because the savings, at least on paper, are needed to pay for the subsidies and expanded benefits in the new health care law.