Mandatory Medicare Payment Reductions Under the Budget Control Act “Sequester” Take Effect April 1, 2013

Medicare program payments to virtually all provider categories, including hospitals, physicians, and ambulatory surgical centers, will be reduced by 2% for services provided on or after April 1, 2013. The 2% reduction is a result of the so-called “sequester” required by the Budget Control Act (BCA) of 2011, as amended by the American Taxpayers Relief Act.

The BCA requires, among other things, mandatory across-the-board reductions – known as a sequester – totaling $1.2 trillion in Federal spending between 2013 and 2021. The reductions apply to a wide range of defense and non-defense programs.

As background, the BCA called for the creation of a Joint Select Committee to recommend proposals yielding $1.5 trillion in deficit reduction. The Committee failed to agree upon recommendations in late 2011, which triggered the sequestration mechanism to yield budgetary savings of $1.2 trillion.

For Medicare, sequestration means that all Medicare benefit payments, including FFS claims with dates-of-service or dates-of-discharge on or after April 1, 2013, will incur a 2% reduction in payment. This includes claims for Part A, Part B, Part C, Part D, and DME. Coinsurance and deductible amounts to be paid by Medicare patients will continue to be calculated based on the full fee schedule rates and are not subject to the 2% cuts. Healthcare providers should contact their Medicare Advantage plans directly to determine if payment under their contracts will be affected.

The spending cuts under the sequester are scheduled to remain in effect until legislation replacing the sequester is passed or until 2021, whichever comes first. There are ongoing discussions between the Administration and Congress on how to end sequestration.

Until there is a legislative agreement at the Federal level, providers will experience the across-the-board 2% payment reduction on all of their Medicare services. This reduction is in addition to payment rate reductions and other provisions that affect provider payment levels enacted in the Affordable Care Act of 2010 (i.e., the Federal health reform legislation).

Both the AMA and the AHA are actively opposed to this reduction and are urging Congress to act to end sequestration. At this point, it is unknown if or when the issue will be resolved by Congress.

The Medtronic Corporate Health Policy & Payment and Government Affairs teams are actively monitoring and engaged on this issue and will provide updates on any developments to terminate or alter the sequestration. CMS has instructed healthcare providers to direct questions to their local Medicare Administrative Contractors (MACs). Medtronic Spine’s Healthcare Economic Strategies (HES) is working closely with the Corporate Health Policy team and available to answer questions at 877-690-5353 or by email at spinalcodingmd@medtronic.com (Physician) or spinalcodinghospital@medtronic.com (Hospital).
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