

Bush administration proposes crippling cuts in Medicare

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The Bush administration is proposing drastic cuts in Medicare payments for a wide range of drugs and medical services beginning next year. The Medicare program, a social insurance program established in 1965, provides medical care to the elderly and the disabled, and is the only source of medical care for the majority of American seniors.

Medicare benefits are already woefully inadequate, forcing many to pay for supplemental insurance or go without needed care and medications. The new reductions will undoubtedly result in denial of access to care for hundreds of thousands of American seniors, as government payments are slashed for vitally needed drugs and services, forcing hospitals to stop offering many medical treatments. The new rates are scheduled to take effect January 1, 2003.

The Medicare payment reductions are mainly aimed at outpatient services, which account for nearly half of all revenue at many US hospitals. Medicare received more than 110 million claims for outpatient services in 2001. Advances in medical technology have greatly increased the numbers of procedures which can now be performed on an outpatient basis, reducing overnight stays at the hospital.

Procedures and drugs targeted include cancer drugs, blood products, cardiac pacemakers and defibrillators, breast biopsies and emergency room treatment for heart attacks, among many others. Examples of the proposed cuts include the following:

- * Medicare payment for a unit of blood cells would be cut by 39 percent, from \$137 this year to \$83 next year.

- * The procedure for inserting a battery-operated pacemaker and defibrillator would be cut by 59 percent, from \$29,360 to \$12,102.

- * Payment for a breast biopsy—a procedure used to

detect breast cancer and other conditions—to be cut 27.5 percent, from \$400 to \$290.

- * Payment for Avonex—an injectable drug used to treat multiple sclerosis—to be reduced from \$255 to \$144, a 36 percent cut.

- * Payment for implanting an infusion pump to deliver medication to manage severe pain would be cut by 67 percent, from \$4,079 to \$1,346.

- * Payment for the typical treatment for a hemophiliac would be reduced by more than half, from \$2,800 to \$1,300.

Under Medicare, hospitals receive a fixed amount of funds, determined in advance, for each outpatient service. Similar services are grouped in categories, with the government setting standard payments for each group. The government says it is basing its new payment structure on data from claims submitted by hospitals.

Critics of the new system, however, argue that hospitals often underreport the costs of high-tech products and procedures, marking up their charges more for these than for low-cost items such as bandages or aspirin. Under the proposed cuts, a uniform, across-the-board reduction would be applied, resulting in an underestimation of the actual cost of high-cost, high-tech services. If hospitals are unable to cover their costs, or are unwilling to accept a lower profit-margin, patients will be denied service.

The Advanced Medical Technology Association (AdvaMed) called the proposed cuts “excessive,” writing in an August 7 press release: “AdvaMed is concerned that CMS’ [Centers for Medicare & Medicaid Services] flawed data and methodology have caused the agency to grossly underestimate the cost of some advanced medical technologies. In fact, for some high-tech procedures the 2003 payment would be lower

than the 2001 rates that failed to recognize the cost of utilizing those technologies.”

Cancer patients will be especially hard hit. The Association of Community Cancer Centers (ACCC) includes hospitals, physicians, nurses, social workers and oncology team members that provide services to more than 60 percent of all US cancer patients. ACCC says that under the Bush administration’s proposal, reimbursement for cancer drugs would decrease by \$286 million, a 38 percent reduction from 2001 rates.

In an October 7 letter to the Centers for Medicare & Medicaid Services, ACCC said the cuts will have “grave implications for patients battling cancer,” and that the proposal “threatens patient access to the most appropriate care in hospital outpatient departments—a setting that is a crucial part of our nation’s cancer care infrastructure.”

In addition to the proposed cuts in reimbursements for outpatient procedures, Medicare recipients face further attacks on services, with 23 health plans announcing they will drop out of Medicare or reduce their service areas in 2003. Close to 200,000 seniors will be dropped by health maintenance organizations (HMOs) which will stop participating in the Medicare+Choice program. The HMOs blame their decision to leave the program on inadequate government reimbursement.

About 5 million, mostly low-income, seniors are enrolled in Medicare+Choice plans, which provide additional benefits, such a coordination of care and prescription drug coverage, reducing some out-of-pocket expenses. Seniors unable to enroll in other Medicare+Choice plans will be forced to return to traditional fee-for-service Medicare. Last year, 58 health plans withdrew or cut services from Medicare+Choice, affecting about 536,000 seniors.

American teaching hospitals are already facing Medicare-related cuts mandated in 1997 under the Balance Budget Revision Act, which reduced extra fees charged to Medicare by the hospitals. The reductions, which went into effect October 1, will cut funding to the teaching facilities by \$800 million in fiscal year 2003 and could amount to more than \$4 billion in losses over the next five years.

While they make up only 20 percent of US hospitals, the nation’s 1,100 teaching hospitals conduct two-thirds of all highly specialized surgeries and treat nearly

half of all patients with highly specialized diagnoses. They train more than 100,000 resident physicians each year and also supply more than 70 percent of hospital care to the 43 million Americans with no health insurance.

With Congress having failed to pass a Medicare prescription drug bill, the Senate is now considering a stopgap funding measure for Medicare providers. Under pressure from hospitals, doctors, HMOs and other medical providers, the Senate is considering a \$44 billion package to make up for some of the funding cut by the 1997 balanced budget legislation.

A number of patient advocacy groups have criticized the proposal for helping the health care industry while ignoring beneficiaries. Ellen Stovall, president of the National Coalition for Cancer survivorship, commented, “Once the cancer community understands that the Senate leadership is prepared to offer more than \$40 billion in so-called provider givebacks and nothing for people with cancer, they will be very angry.”



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