

Medicare Pay Cut From Sequester to Go Into Effect March 1

Senate Rejects Bills to Replace Sequester

Mark Crane | Feb 28, 2013

The US Senate rejected 2 competing proposals today that would have replaced the "sequester" — \$85 billion worth of automatic, across-the-board budget cuts set to take effect March 1.

Barring some last-minute rescue, that means Medicare reimbursement for physicians and other healthcare providers will **decrease by 2%**.

The scheduled 2% reduction in Medicare reimbursement to physicians and other providers presumably would apply to all services rendered, beginning March 1. The Centers for Medicare & Medicaid Services had no comment as yet on how the pay cut would be implemented.

Judging by what occurred in previous planned pay cuts, it is likely the effects will not be felt for 14 days while Medicare administrative contractors temporarily sit on electronic claims.

It is not at all clear when the effects of these budget cuts will be felt by the public. The Obama Administration has said the sequester would **slash spending** at the Centers for Disease Control and Prevention, the US Food and Drug Administration, and the National Institutes of Health in addition to forcing the layoffs of thousands of civilian defense workers, air traffic controllers, and border agents.

Republicans have accused the White House of fear-mongering and exaggerating the effect of the cuts, which amount to 2.4% of the federal budget for the past fiscal year. Sen. Orrin Hatch (R-UT) said the \$85 billion comes to only 9 days of federal spending.

In any event, most of the cuts will not take effect tomorrow but will occur gradually through the end of the fiscal year on September 30. Each federal agency will implement its cuts differently.

A bill sponsored by Sen. James Inhofe (R-OK) and Sen. Pat Toomey (R-PA) to allow the White House to use flexibility in enacting the budget cuts rather than an across-the-board approach was defeated, 62 to 38.

The bill would have required President Obama to provide Congress with his own plan to achieve the same level of cuts by March 15. "This would give the president the flexibility to make sensible cuts," said Toomey. "We can avoid the calamity and disaster" that the president is forecasting, Toomey said.

The White House had opposed the measure, "which would protect tax loopholes for the wealthy and congressional pork barrel projects and would lock in severe cuts that threaten hundreds of thousands of middle class jobs and slash vital services for children, seniors, and our troops and military families," according to a White House statement.

A bill sponsored by Senate Majority Leader Harry Reid (D-NV) that would have delayed the sequester cuts for 10 months by substituting a package of \$110 billion in revenues and alternative savings was approved by a vote of 51 to 49 but did not achieve the necessary 60 votes to advance.

Reid's bill would raise almost \$43 billion through a proposed 30% minimum tax on the wealthy and would achieve about \$48 billion in savings from farm subsidies and reduced appropriations in the future for defense spending.

The key stumbling block to a compromise is that Democrats have demanded that any plan to replace the sequester must be balanced between spending cuts and tax increases. Republicans, who agreed to raise tax rates for the

wealthy by \$620 billion on January 1, have opposed any new tax increases.

A retroactive solution to sequestration could, in fact, come late this month, when a so-called continuing appropriations resolution expires March 27 and forces lawmakers to pass a new resolution to continue funding government operations. That legislation conceivably could apply a cure to the sequester.

President Obama will meet with Congressional leaders from both parties tomorrow at the White House to discuss the next steps for dealing with the sequester.

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