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Future of Medicare: Funding for Extenders and Payment Policy Priorities

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Health care stakeholders are increasing pressure on Congress to continue funding for a series of Medicare "extenders" – Medicare program and payment policies that expired at the end of 2017. Some examples of the extenders include the physical, occupational, and speech language therapy cap exception process; the Medicare low-volume hospital add-on payments; and Authority for Medicare Advantage Special Needs Plans. Congress last extended these provisions in the Medicare Access and CHIP Reauthorization Act (MACRA) of 2015. Both the House Ways and Means Committee and Senate Finance Committee released agreements on a Medicare extenders package, but debate continues on what will be included in a final package and how to pay for it. As a result, Medicare extenders were not included in the year-end spending bill or the recently-passed Continuing Resolution (CR) to fund the government until February 8. It remains uncertain whether and when lawmakers may be likely to reach an agreement on the extenders.

Looking beyond extenders, the prospects for broader entitlement reform to advance in Congress remain unlikely. Although House Speaker Paul Ryan (R-WI) signaled interest at the end of last year in pursuing entitlement reform, he has walked back those comments after Senate Majority Leader Mitch McConnell (R-KY) publicly stated that entitlement reform is unlikely to gain traction in the Senate in 2018. This is in line with conventional political wisdom, which suggests that Republicans would be less likely to push for significant Medicare reform in an election year – especially given their slim Senate majority.

Meanwhile, the Trump Administration is expected to continue seeking to shape Medicare payment policy through regulations. CMS will move forward in implementing policies for Year 2 of the Quality Payment Program established under MACRA. CMS stated that it intends to maintain a gradual transition while preparing clinicians for full implementation in Year 3; provide greater flexibility to help reduce clinician burden; and offer new incentives for participation in Advanced Alternative Payment Models (A-APMs).

The Administration is also expected to utilize the Center for Medicare and Medicaid Innovation (CMMI) to test new payment innovations and models in 2018 for broader adoption. On January 9, CMS and CMMI announced the launch of a new voluntary bundled payment model, the Bundled Payments for Care Improvement Advanced (BPCI Advanced). BPCI Advanced is a two-sided risk bundled payment model that qualifies as an A-APM under MACRA's Quality Payment Program. Alex Azar, who is expected to be confirmed as the new Secretary of HHS, has also indicated openness to mandatory pilot programs under CMMI. In 2018, watch CMMI for further model tests that may be launched to help transition Medicare payments to a system that rewards quality over quantity.