

# CARES Act Increases Medicare Provider Payments Through Sequester Relief

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In response to the outbreak of COVID-19, President Trump signed the Coronavirus Aid, Relief, and Economic Security (CARES) Act into law on March 27, 2020. The extensive \$2 trillion relief package provides financial assistance to individual Americans, aid for small businesses and support for the health care industry.



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Pursuant to Section 3709 of the CARES Act, beginning on May 1, 2020, and ending on December 31, 2020, Medicare programs under Title XVIII of the Social Security Act are exempt from payment reductions under “sequestration” orders. This translates to a two percent increase in Medicare fee-for-service payment rates for Medicare providers, including hospitals, physicians, nursing homes, and home health care services, until the end of the year. The additional revenue will likely be a boon to both those practitioners who have seen a marked decrease in patient traffic in the wake of the pandemic and those inundated by patients in COVID-19 hotspots.

Since 2013, Medicare provider and plan payments have been subject to sequestration orders originating in the Budget Control Act of 2011 (BCA), which was based upon, and amended, the Emergency Deficit Control Act of 1985. The BCA created a Joint Select Committee on Deficit Reduction (“Joint Committee”) to draft a plan with the goal of reducing the deficit by at least \$1.5 trillion over 10 years. In the case that the Joint Committee was unable to reach agreement on the required level of deficit reduction, or if Congress failed to enact the Joint Committee’s recommendations – by December 23, 2011 – the BCA provided for automatic spending reductions.

When the Joint Committee failed to reach agreement on deficit reduction by the deadline, the BCA’s fallback budget reduction mechanism went into effect, requiring nine annual “sequestrations” of \$109 billion in fiscal years 2013-2021. Half of sequestration savings were to come from defense spending, and half were to come from nondefense spending. Medicaid and other low-income spending, such as the United States Department of Agriculture’s (USDA) Supplemental Nutrition Assistance Program (SNAP), were exempt. Medicare provider and plan payments, however, would be cut.

While Medicare was not exempt from sequestration, the mandatory reduction to Medicare provider and plan payments was capped at two percent. According to the Office of Management and Budget, the fiscal year 2021 sequester will reduce Medicare spending by \$16.2 billion, which represents two percent of the base

of \$809 billion in Medicare spending for fiscal year 2021 that is subject to the two percent cap.

The CARES Act temporarily suspends the Medicare sequester from taking effect. As a result, Medicare providers and plans will receive a two percent increase in fee-for-service payment rates compared to what they would have received otherwise.

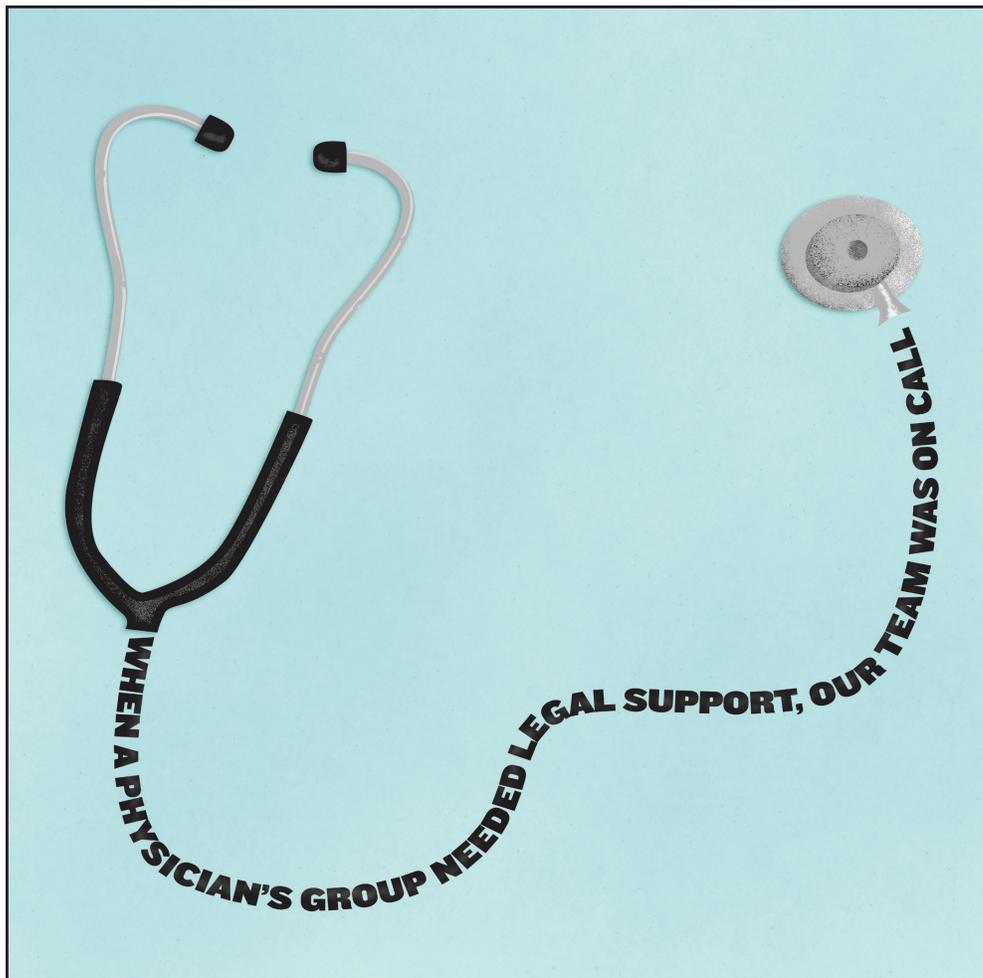
After December 31, 2020, however, the sequester will continue, and Medicare providers and plans will once again see

a two percent decrease in fee-for-service payment rates. Moreover, the Medicare sequester will be extended an additional year, into 2022. The goal of the CARES Act in lifting the Medicare sequester – from May 1, 2020 to December 31, 2020 – is to provide much-needed near-term relief without contributing to the deficit in the long term.

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