

Excerpted from pages 9 and 10 of “Estimated Financial Affects of the ‘Patient Protection and Affordable Care Act,’ as amended.”

Available Online: [http://burgess.house.gov/UploadedFiles/4-22-2010 -
OACT Memorandum on Financial Impact of PPACA as Enacted.pdf](http://burgess.house.gov/UploadedFiles/4-22-2010-_OACT_Memorandum_on_Financial_Impact_of_PPACA_as_Enacted.pdf)

It is important to note that the estimated savings shown in this memorandum for one category of Medicare provisions may be unrealistic. The PPACA introduces permanent annual productivity adjustments to price updates for most providers (such as hospitals, skilled nursing facilities, and home health agencies), using a 10-year moving average of economy-wide private, non-farm productivity gains. While such payment update reductions will create a strong incentive for providers to maximize efficiency, it is doubtful that many will be able to improve their own productivity to the degree achieved by the economy at large.⁷ Over time, a sustained reduction in payment updates, based on productivity expectations that are difficult to attain, would cause Medicare payment rates to grow more slowly than, and in a way that was unrelated to, the

providers’ costs of furnishing services to beneficiaries. Thus, providers for whom Medicare constitutes a substantive portion of their business could find it difficult to remain profitable and, absent legislative intervention, might end their participation in the program (possibly jeopardizing access to care for beneficiaries). Simulations by the Office of the Actuary suggest that roughly 15 percent of Part A providers would become unprofitable within the 10-year projection period as a result of the productivity adjustments.⁸ Although this policy could be monitored over time to avoid such an outcome, changes would likely result in smaller actual savings than shown here for these provisions.