Independent Payment Advisory Board (IPAB)
Healthcare Reform – September 2010

BACKGROUND
One of the goals of the Patient Protection and Affordable Care Act (PPACA), passed in March 2010, is to reduce the overall cost of care. PPACA establishes the Independent Payment Advisory Board (IPAB), which is tasked with making recommendations to curb Medicare spending. It will be required to make proposals to Congress if Medicare spending is projected to exceed certain target rates.

The IPAB will be composed of 15 members who will serve six-year terms and is charged with developing detailed proposals for methods of slowing the increase of Medicare costs. Members will be a mix of nationally recognized experts with backgrounds in health finance and economics, actuarial science, health facility management, health plans and integrated delivery systems, allopathic and osteopathic physicians and others.

The Congressional Budget Office has estimated that the IPAB could reduce Medicare costs by $15.5 billion by 2019 with significant savings beyond that.

TIMELINE
The IPAB will begin working in 2012, evaluating the costs of the Medicare system. In 2014 IPAB will submit its first proposal to the President. Also in 2014, IPAB will publish its first annual report on the state of the healthcare system with information about access, utilization, costs and quality.

The IPAB will be required to submit biannual proposals to Congress in 2015. After its proposal in January 2017, Congress will have the option to discontinue the group by joint resolution, requiring a two-thirds vote in both houses.

THE ROLE OF IPAB
Initially, IPAB will make recommendations to enable Medicare to conform to the five-year projected per-beneficiary growth rate equal to the average of the Consumer Price Index (CPI) for All Urban Consumers and the CPI for Medical Care. Effective 2018, the target rate will be the projected five-year increase in per capita gross domestic product plus one percent.

While the board has some leeway in how it proposes to manage Medicare spending, it is prohibited from proposing how to ration care, increase taxes, affect program eligibility or benefits, increase premiums or decrease low-income subsidies. In addition, payments to hospitals – the largest Medicare provider sector – will not fall under IPAB control until 2020.

LEGAL AUTHORITY
IPAB’s spending proposals will be implemented and become legally binding unless Congress enacts legislation to override them by August of the year they are proposed. Alternately, Congress may propose and adopt its own measures for cutting costs.

REDUCING MEDICARE SPENDING
The Independent Payment Advisory Board is not the only federal entity that will develop plans to reduce Medicare spending. Section 3021 of the PPACA creates the Center for Medicare and Medicaid Innovation (CMI) within the Centers for Medicare & Medicaid Services (CMS). The CMI is intended to test “innovative payment methods and service delivery models” with the authority to develop pilot projects across the country. The Congressional Budget Office has estimated that the program will save Medicare $1.3 billion.