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AMERICAN ACADEMY *of* ACTUARIES

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March 21, 2012

The Honorable John Boehner  
Speaker  
U.S. House of Representatives  
H-232 U.S. Capitol Building  
Washington, DC 20515

The Honorable Nancy Pelosi  
Minority Leader  
U.S. House of Representatives  
H-204 U.S. Capitol Building  
Washington, DC 20515

Re: H.R. 5 – Help Efficient, Accessible, Low-cost, Timely Healthcare (HEALTH) Act

Dear Speaker Boehner and Minority Leader Pelosi:

As the House of Representatives considers the possible repeal of<sup>1</sup> or changes to the Independent Payment Advisory Board (IPAB) created by the Affordable Care Act (ACA), the American Academy of Actuaries'<sup>2</sup> Health Practice Council appreciates this opportunity to provide some brief background information on the board and its authority. As our mission is to objectively analyze public policy as a public service, the Academy neither supports nor opposes the establishment of the IPAB. Instead, we hope to provide some information to help you make an informed decision.

The ACA authorized creation of the IPAB, which can be viewed as similar to the Medicare Payment Advisory Commission (MedPAC). The IPAB is charged with preparing recommendations to reduce the growth in Medicare per capita expenditures if spending exceeds a targeted growth rate. The targets are based on an average of general and medical inflation until the year 2019, and on GDP plus 1 percent thereafter. Unlike MedPAC recommendations, which are exclusively advisory, IPAB recommendations are required to be submitted to the Congress, considered under a “fast-track” process, and implemented unless Congress passes legislation producing comparable reductions.

However, the ACA does restrict the board in its recommendations. As specified under Section 3403, the board cannot propose to “ration health care, raise revenues or Medicare beneficiary premiums,” “increase beneficiary cost-sharing,” or “otherwise restrict benefits or modify eligibility criteria.” In addition, until the year 2020, most hospital services are excluded from the scope of payment changes that can be recommended by the board. The Congressional Budget Office has estimated that eliminating IPAB would increase deficits by \$3.1 billion from 2013-2022.

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<sup>1</sup> As of time of this publication, the text of H.R. 452, a bill to repeal the relevant provisions of ACA authorizing IPAB was included as Title II of H.R. 5 (as posted on the House Committee on Rules website on March 13), scheduled for floor consideration the week of March 19.

<sup>2</sup> The American Academy of Actuaries is a 17,000 member professional association whose mission is to serve the public and the U.S. actuarial profession. The Academy assists public policymakers on all levels by providing leadership, objective expertise, and actuarial advice on risk and financial security issues. The Academy also sets qualifications, practice, and professionalism standards for actuaries in the United States.

It should be noted that, in addition to the current proposals to repeal the IPAB provisions of ACA, there have also been proposals, primarily included in debt and deficit reduction and control proposals advanced by various budget watchdog groups, that would expand the scope of the IPAB. These proposals would eliminate the temporary carve-outs for hospital services, allow options related to cost sharing and benefit design, and/or give the IPAB jurisdiction over all federal health spending, not just Medicare spending. Such expansions may be tied to directing IPAB to meet more ambitious spending growth targets.

Regardless of whether the IPAB is repealed or expanded, Medicare faces serious long-term financing challenges: income to the Medicare Hospital Insurance (HI) trust fund is not adequate to fund the HI portion of Medicare Benefits; increases in Medicare Supplementary Medical Insurance spending increase pressure on the federal budget and beneficiary household budgets; and increases in total Medicare spending threaten the program's sustainability. Although the ACA contains provisions designed to improve Medicare's financial condition, additional steps are needed to solve Medicare's financial challenges.

The American Academy of Actuaries' Health Practice Council welcomes the opportunity to serve as an ongoing resource to policymakers and the public as solutions to Medicare's financing challenges are considered. If you have any questions or would like to discuss these comments further, please contact Heather Jerbi, the Academy's senior health policy analyst (202.489.7508; [Jerbi@actuary.org](mailto:Jerbi@actuary.org)).

Sincerely,

Thomas F. Wildsmith, MAAA, FSA  
Vice President, Health Practice Council  
American Academy of Actuaries

Cc: Members of the U.S. House of Representatives