

January 2, 2013

Fiscal Cliff Update – Courtesy of NCPA

Tonight, the House of Representative passed the “American Taxpayer Relief Act of 2012”. Early this morning, the Senate passed the same bill by a vote of 89-8. The President is expected to sign it promptly. The bill would roll back most of tax increases that expired on 12/31/12. The bill also postpones the automatic spending cuts known as “sequestration” for 2 months, averting a 2 % Medicare cut for providers and more TRICARE cuts, but includes other numerous provisions relating to Medicare and Medicaid. With respect to taxes, the bill does the following:

- Increases marginal income tax rates from 35 percent to 39.6 percent on individual incomes of more than \$400,000 and households that earn more than \$450,000. Other income tax rates would remain the same as they were before today;
- Increases taxes on dividends and capital gains from 15 percent to 20 percent, and to 23.8 percent for individuals making at least \$400,000 and \$450,000 for families;
- Permanently patches the alternative minimum tax;
- Raises the estate tax rates from 35% to 40% for high-value properties over \$5 million for individual estates and \$10 million per family estates;
- Extends long term unemployment benefits for a year;
- Continues several middle-class tax cuts (child tax credit, earned income tax credit) for five years and business deductions (accelerated bonus depreciation for investment in new property and equipment) for one year;
- Adds a temporary fix to Medicare reimbursement rates for physician payments, which were scheduled to drop 27 percent;

The agreement would not extend the 2% payroll tax cut which will increase to 6.2% from 4.2%. In addition, it would delay the \$109 billion in sequester cuts for 2 months, which included 2% reduction in Medicare payments and more TRICARE program cuts.

To pay for the Medicare doc fix in part, the bill does reduce retail pharmacy payment rates for diabetes testing supplies, starting April 1st. The current fee schedule payment rates for these supplies (about \$38 per box of 50) will drop by 9.5% on or about April 1st and remain at that amount until on or about July 1st, the date that the national mail order competitive bidding program for these supplies begins. At that point, the competitively-bid mail order reimbursement rate will be used to reimburse retail pharmacies for these supplies. NCPA strongly objected to inclusion of this provision because independent pharmacies cannot purchase these supplies at the mail order rate. This would mean that the amount determined under the national mail order competitive bidding program for these diabetes testing supplies, including strips, would be used to reimburse retail pharmacies. For illustrative purposes, the current retail fee schedule amount is about \$38 for a box of 50 strips. The competitively-bid rate for mail order supplies is about \$15. NCPA will continue to seek ways to make sure that pharmacies can provide these supplies to Medicare beneficiaries and receive appropriate reimbursement.