The Impact of the American Taxpayer Relief Act of 2012

In an effort to prevent the U.S. economy from going over the “Fiscal Cliff,” Congress passed the American Taxpayer Relief Act of 2012 (ATRA) on January 1, 2013, which was signed into law by President Obama on January 2, 2013. While the Act extends current income tax rates for all individuals earning up to $400,000, and $450,000 for married couples, the ATRA also has several significant implications for healthcare providers, including reducing the mandated cut to Medicare physician payments under the sustainable growth rate (SGR) from 27.4 percent to zero.

The Fiscal Cliff is the term utilized to describe the sharp decline in the U.S. budget deficit that was set to take effect on January 1, 2013 in the form of increased taxes and reduced spending, as mandated under a variety of previously enacted laws. While the Congressional Budget Office (CBO) projected that the cliff would have resulted in initial declines in economic growth and employment, the agency also expected that the labor market would ultimately be strengthened and the national Gross Domestic Product (GDP) would decrease by .5 percent by the end of 2013.

One of the main provisions of the ATRA for healthcare providers was the reduction of the SGR update to zero percent for services provided through December 31, 2013. Since 2003, Congress has annually intervened at the last moment, and overridden the mandated decreases to the Medicare Physician Fee Schedule (MPFS) set forth in the Balanced Budget Act of 1997, typically replacing scheduled cuts with slight increases in payment. However, as with previous Congressional actions, the freeze on the current SGR payment rate is not a long-term solution and will only last until the end of the year, at which time the next scheduled Medicare payment cut is expected to be set at 32 percent.

The SGR formula has been severely criticized by the Medicare Payment Advisory Commission (MedPAC), who in a October 14, 2011 letter to the Senate, called the formula “fundamentally flawed,” and said it has “failed to restrain volume growth and, in fact, may have exacerbated it.”

Significantly, each time Congress provides legislative relief from pending SGR reimbursement cuts for Medicare providers, i.e., the “doc-fix,” there is a resulting several billion dollar requirement in federal budget offsets. Under the ATRA, preserving the current Medicare physician payment rate through 2013 comes at an anticipated cost of approximately $25 billion dollars. For more information on the continuing SGR saga see HC Topics articles: The Sustainable Growth Rate Saga Continues and Congress Approves “Doc-Fix” to Maintain Medicare Payment Amounts.

In addition to freezing SGR rates, the ATRA includes several other provisions which significantly impact the Medicare and Medicaid programs. Under the ATRA, sequestrations, i.e., cuts to Federal programs made to address the growing U.S. deficit, were delayed for two months, including the anticipated two percent reduction in Medicare funding. Additionally, several Medicare programs set to expire on December 31, 2012 were extended under the ATRA, including: (1) the Medicare physician work geographic adjustment floor [§602]; (2) payments for Medicare outpatient therapy services [§603]; (3) ambulance add-on payments for ambulance services provided in rural areas [§604]; (4) Medicare inpatient hospital payment adjustment for low-volume hospitals [§605]; and, (5) the Medicare-Dependent Hospital (MDH) Program [§606]. Several of these payment adjustments will lower provider payments in order to offset the anticipated costs associated with the doc-fix. The ATRA also extended the Medicaid disproportionate share hospital (DSH) payment reduction enacted under the ACA from 2021 to 2022, which is expected to save the Medicaid program approximately $4.2 billion over ten years.

Overall, it is anticipated that the passage of the ATRA may add over $4 trillion to the U.S. national deficit over the next ten years. Further, many of the highly debated topics in healthcare, e.g., the repeal of the SGR and the impending two percent cut to Medicare spending, were merely delayed and still require a final resolution. Unless more permanent action is taken, the U.S. will continue to face future uncertainty regarding financial stability of the U.S. economy, and may yet plummet over the fiscal cliff.

2 “Statement by the Press Secretary on H.R. 8” The White House Office of the Press Secretary, January 3, 2013,

2 The White House Office of the Press Secretary, January 3, 2013.


13 Rubinstein, January 10, 2013.
Mr. Cimasi holds a Masters in Health Administration from the University of Maryland, as well as several professional designations: Accredited Senior Appraiser (ASA – American Society of Appraisers); Fellow Royal Intuition of Chartered Surveyors (FRICS – Royal Institute of Chartered Surveyors); Master Certified Business Appraiser (MCBA – Institute of Business Appraisers); Accredited Valuation Analyst (AVA – National Association of Certified Valuators and Analysts); and, Certified Merger & Acquisition Advisor (CM&AA – Alliance of Merger & Acquisition Advisors). He has served as an expert witness on cases in numerous courts, and has provided testimony before federal and state legislative committees. He is a nationally known speaker on healthcare industry topics, the author of several books, the latest of which include: “Accountable Care Organizations: Value Metrics and Capital Formation” [2013 - Taylor & Francis, a division of CRC Press], “The Adviser’s Guide to Healthcare” – Vols. I, II & III [2010 – AICPA], and “The U.S. Healthcare Certificate of Need Sourcebook” [2005 – Beard Books]. His most recent book, entitled “Healthcare Valuation: The Financial Appraisal of Enterprises, Assets, and Services” will be published by John Wiley & Sons in the Fall of 2013.

Mr. Cimasi is the author of numerous additional chapters in anthologies; books, and legal treatises; published articles in peer reviewed and industry trade journals; research papers and case studies; and, is often quoted by healthcare industry press. In 2006, Mr. Cimasi was honored with the prestigious “Shannon Pratt Award in Business Valuation” conferred by the Institute of Business Appraisers. Mr. Cimasi serves on the Editorial Board of the Business Appraisals Practice of the Institute of Business Appraisers, of which he is a member of the College of Fellows. In 2011, he was named a Fellow of the Royal Institution of Chartered Surveyors (RICS).

Todd A. Zigrang, MBA, MHA, ASA, FACHE, is the President of HEALTH CAPITAL CONSULTANTS (HCC), where he focuses on the areas valuation and financial analysis for hospitals and other healthcare enterprises. Mr. Zigrang has significant physician integration and financial analysis experience, and has participated in the development of a physician-owned multi-specialty MSO and networks involving a wide range of specialties; physician-owned hospitals, as well as several limited liability companies for the purpose of acquiring acute care and specialty hospitals, ASCs and other ancillary facilities; participated in the evaluation and negotiation of managed care contracts, performed and assisted in the valuation of various healthcare entities and related litigation support engagements; created pro-forma financials; written business plans; conducted a range of industry research; completed due diligence practice analysis; oversee the selection process for vendors, contractors, and architects; and, worked on the arrangement of financing.

Mr. Zigrang holds a Master of Science in Health Administration and a Masters in Business Administration from the University of Missouri at Columbia. He is a Fellow of the American College of Healthcare Executives, and serves as President of the St. Louis Chapter of the American Society of Appraisers (ASA). He has co-authored “Research and Financial Benchmarking in the Healthcare Industry” (STP Financial Management) and “Healthcare Industry Research and its Application in Financial Consulting” (Aspen Publishers). He has additionally taught before the Institute of Business Appraisers and CPA Leadership Institute, and has presented healthcare industry valuation related research papers before the Healthcare Financial Management Association; the National CPA Health Care Adviser’s Association; Association for Corporate Growth; Infocast Executive Education Series; the St. Louis Business Valuation Roundtable; and, Physician Hospitals of America.

Anne P. Sharamitaro, Esq., is the Executive Vice President & General Counsel of HEALTH CAPITAL CONSULTANTS (HCC), where she focuses on the areas of Certificate of Need (CON); regulatory compliance, managed care, and antitrust consulting. Ms. Sharamitaro is a member of the Missouri Bar and holds a J.D. and Health Law Certificate from Saint Louis University School of Law, where she served as an editor for the Journal of Health Law, published by the American Health Lawyers Association. Ms. Sharamitaro has presented healthcare industry related research papers before Physician Hospitals of America and the National Association of Certified Valuation Analysts and co-authored chapters in “Healthcare Organizations: Financial Management Strategies,” published in 2008.

Robert James Cimasi, MHA, ASA, FRICS, MCBA, AVA, CM&AA, serves as Chief Executive Officer of HEALTH CAPITAL CONSULTANTS (HCC), a nationally recognized healthcare financial and economic consulting firm headquartered in St. Louis, MO, serving clients in 49 states since 1993. Mr. Cimasi has over thirty years of experience in serving clients, with a professional focus on the financial and economic aspects of healthcare service sector entities including: valuation consulting and capital formation services; healthcare industry transactions including joint ventures, mergers, acquisitions, and divestitures; litigation support & expert testimony; and, certificate-of-need and other regulatory and policy planning consulting.