

Help for People with Medicare

People with Medicare stand to gain a lot from health reform. The legislation that is working its way through Congress includes provisions that will make Medicare more affordable for the seniors and people with disabilities who rely on it. The bills also make much-needed changes to how Medicare pays for health care. These changes will make the Medicare program stronger and more financially secure for today's beneficiaries and for their children. Below we discuss some of the key aspects of the health reform legislation that concern Medicare.

Making Health Care More Affordable

■ Shrinking the "Doughnut Hole"

Why we need it: The Medicare Part D drug program is infamous for including a large and growing gap in coverage called the "doughnut hole." The doughnut hole currently begins after beneficiaries incur \$2,700 in total drug costs. At that point, drug coverage stops until beneficiaries spend an additional \$3,454 out of their own pockets (on top of their monthly premiums). This is especially problematic if beneficiaries get sick, as they may get hit with significant drug costs right when they need help the most. Without reform, this gap will continue to widen—it is projected to grow to \$6,000 by 2016.

What health reform will do: Eliminate or reduce the Part D doughnut hole. One measure would gradually eliminate the doughnut hole entirely, providing a much more complete drug benefit. Other provisions would provide beneficiaries with an immediate 50 percent discount on brand-name drugs while they are in the doughnut hole. Brand-name drugs are typically the most expensive drugs, so, for the more than 3.4 million beneficiaries who fall into the doughnut hole each year, this discount will provide substantial and immediate savings.

■ Eliminating Copayments for Preventive Care

Why we need it: In the past several years, Medicare has added much-needed coverage for preventive care—such as screenings for cancer and diabetes—so that these conditions can be detected and treated before they get worse. However, many of these services come with substantial deductibles and co-insurance, which discourage people from using them.

What health reform will do: Eliminate co-insurance and deductibles for all preventive services that are covered under Medicare. This will make preventive care more affordable for seniors and people with disabilities with Medicare and will encourage them to get the preventive care they need.

■ **More Help for People with Limited Incomes**

Why we need it: Medicare's out-of-pocket costs have risen substantially in recent years, but enrollment in programs that help low-income people with these costs remains low. In addition, many low-income people who have accrued modest savings during their working lives are currently ineligible for this help.

What health reform will do: Improve and expand assistance for low-income beneficiaries by helping them pay their premiums, deductibles, and co-insurance. Programs that serve low-income people with Medicare (the Medicare Savings Programs, which help beneficiaries with out-of-pocket costs, and the Part D low-income subsidy) will be simplified to make it easier to enroll and retain benefits. In addition, some proposals increase asset limits so that people can keep more of their savings and still get help with health care costs.

A More Secure Medicare—Now and in the Future

■ **Promote Quality and Coordination of Health Care**

Why we need it: Historically, Medicare has not done a good job of coordinating care for its beneficiaries. Doctors and other providers get paid by the procedure, not for taking the time to talk to their patients or coordinate their care. This payment system drives up health care costs and does not promote better health.

What health reform will do: Move Medicare to a more coordinated system that promotes primary care (as opposed to specialty care) and collaboration among health care providers. Primary care physicians will receive higher reimbursements. In addition, several new programs will promote accountable care organizations and similar systems that pay groups of doctors, hospitals, and other providers together rather than individually. This should encourage all providers to work together to improve health care quality and reduce the number of unnecessary procedures.

■ **Improve Payments to Doctors to Keep Them in Medicare**

Why we need it: If changes are not made soon to the rules that determine how doctors in Medicare are paid, some beneficiaries may have problems getting their doctors to accept Medicare.

What health reform will do: Change the physician payment formula to prevent a scheduled 20 percent reduction in payments next year and replace it with a sustainable formula for future years. This should help ensure access to physicians for Medicare's beneficiaries now and in the future.

■ Roll Back Overpayments to Private Medicare Advantage Plans

Why we need it: Private Medicare Advantage (MA) plans were introduced to Medicare because they were supposed to be a cheaper alternative to the traditional Medicare program. However, they have turned out to be more expensive. Today, the Medicare program pays Medicare Advantage plans an average of 14 percent more than it costs traditional Medicare to provide the same care. This discrepancy results in additional costs of hundreds of billions of dollars. These overpayments (often called subsidies) generate considerable profits for Medicare Advantage plans, and many new Medicare Advantage plans have entered the Medicare market as these subsidies have increased. But there is no evidence that these new private plans provide any better care than traditional Medicare.

What health reform will do: Stop the privatization of Medicare. Insurance companies that run Medicare Advantage plans will no longer be given a financial edge over traditional Medicare. Under health reform, payments to Medicare Advantage plans are expected to be tied more closely to traditional Medicare rates. Medicare Advantage plans will still be able to provide service to beneficiaries, but they will not receive billions in dollars in subsidies.

■ Extend Medicare's Solvency for Five Years or More

Why we need it: Current projections estimate that Medicare's Part A (hospital insurance) trust fund will be inadequate to pay for full benefits by as soon as 2017. Although these projections can change significantly from year to year, making the program more efficient now will prevent the possibility of radical cuts in the future.

What health reform will do: Make Medicare's payments for health care services more accurate to encourage efficiency and strengthen the program's fiscal health. Many of these payment changes have been recommended for years by outside experts as important to making Medicare a smarter purchaser of health care.



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