A Closer Look from Families USA

The CHAMP Act's Medicare Provisions Offer Real Help to Seniors and People with Disabilities

On August 1, the House of Representatives passed the Children's Health and Medicare Protection (CHAMP) Act of 2007 (H.R. 3162). This bill is best known for reauthorizing the Children's Health Insurance Program (CHIP). However, it also makes significant improvements to the Medicare program, which provides health coverage to 44 million seniors and people with disabilities. Many of the Medicare provisions in the CHAMP Act have long been sought by advocates who want to protect and improve Medicare, particularly for low-income beneficiaries.

CHAMP Levels the Playing Field between Traditional Medicare and Private Medicare Advantage Plans

The CHAMP Act would gradually reduce the overpayments made to private Medicare Advantage (MA) plans, bringing them down to the same level as those paid to traditional Medicare. Currently, Medicare Advantage plans receive, on average, 12 percent more per beneficiary than the cost of providing the same benefits to an enrollee in traditional Medicare. These overpayments have proven to be very lucrative to the private insurance companies that run Medicare Advantage plans: For example, it is estimated that Humana will earn 66 percent of its net income from its Medicare Advantage plans this year. United HealthCare will earn 11 percent of its net income from Medicare Advantage, according to similar estimates.

This reduction in overpayments will save $50.1 billion over the next five years. *This savings is not from a cut in Medicare benefits. Rather, it is a reduction in overpayments to private insurers*. This policy has been recommended for years by outside experts, such as the Medicare Payment Advisory Commission (MedPAC), as a needed measure to restore balance between traditional Medicare and private plans. Private plans will still participate in Medicare—they will simply have to provide care as efficiently as traditional Medicare.

This reduction in overpayments would have the following additional positive effects:

1. **Reducing Medicare premiums**: Currently, all Medicare beneficiaries pay an extra $24 a year in Part B premiums to subsidize private Medicare Advantage plans. This extra cost would be eliminated.
2. **Strengthening Medicare's finances**: Paying private plans the same as traditional Medicare will save the program billions of dollars, extending the financial solvency of the Medicare Part A Hospital Trust Fund by two years.
3. P**rotecting seniors from abusive plans**: Without the lure of easy profits, the marketing abuses committed by unethical plans should be significantly reduced.

CHAMP Improves Benefits for Low-Income Medicare Beneficiaries

The CHAMP Act would make substantial improvements in several programs that serve low-income beneficiaries:

- The Medicare Savings Programs, which are three programs that help subsidize Medicare premiums and cost-sharing for low-income people in Medicare: 1) the Qualified Medicare Beneficiary (QMB) program, 2) the Specified Low-Income Medicare Beneficiary (SLMB) program, and 3) the Qualified Individual (QI) program; and
- The Part D low-income subsidy, which covers most or all drug costs for low-income people in Medicare.

These programs provide essential assistance, but they have had disappointingly low enrollment for many years. The changes proposed in the CHAMP Act would align eligibility standards for the Medicare Savings Programs and the Part D low-income subsidy, which would make it easier for seniors and people with disabilities to enroll in both programs at once (see Table 1). Specific provisions include:

- **Raising the asset limit for the Part D low-income subsidy and Medicare Savings Programs**: The bill would allow seniors to preserve modest savings and still qualify for assistance. It raises the asset limit for low-income programs to $17,000 for an individual and $34,000 for a couple. It also indexes the asset limit to inflation. Currently, the asset limit for the Part D low-income subsidy is $11,710 for an individual and $23,410 for a couple. The asset limit for the Medicare Savings Programs is much lower—$4,000 for an individual and $6,000 for a couple—and it has been unchanged since 1974.
- **Expanding the QI program and making it permanent**: Currently, the QI program covers beneficiaries with incomes between 120 and 135 percent of the federal poverty level (between $12,525-$13,784/year for an individual). The bill would raise the upper income limit to 150 percent of poverty ($15,315/year), which is the same as the limit for the Part D low-income subsidy. It would also make the QI program permanent, eliminating the need to reauthorize it every year or two. This should stabilize the program and encourage enrollment.
- **Limiting cost-sharing**: The bill would limit out-of-pocket drug costs for Medicare beneficiaries who are also enrolled in Medicaid (known as dual eligibles) to 5 percent of total income. It would also eliminate prescription drug cost-sharing for dual eligibles who require long-term care but who live in assisted living facilities or in the community, rather than in nursing homes.
- **Simplifying applications**: The bill would protect life insurance, pensions, and retirement plans from being counted as assets, and it would protect in-kind support (for example, groceries purchased by an adult child) from being counted as income. This would create a simpler application for both the low-income subsidy and the Medicare Savings Programs. It would also permit the Social Security Administration to use tax information to identify potentially eligible seniors and people with disabilities.

Table 1

Improvements to Programs for Low-Income Medicare Beneficiaries under the CHAMP Act

Program	Benefits Covered	Income Limit (percent of poverty)		Asset Limit	
		Current	Proposed By CHAMP	Current	Proposed By CHAMP
Medicare Savings Programs					
Qualified Medicare Beneficiary (QMB)	Part B Premium and Part A & B deductibles and co-insurance	Up to 100% FPL*	Unchanged	$4,000 individual/ $6,000 couple; not indexed to inflation	$17,000 individual/ $34,000 couple; indexed to inflation
Specified Low-Income Medicare Beneficiary (SLMB)	Part B Premium	100%-120% FPL*	Unchanged	$4,000 individual/ $6,000 couple; not indexed to inflation	$17,000 individual/ $34,000 couple; indexed to inflation
Qualified Individual (QI)	Part B Premium	120%-135% FPL*; program expires on 9/30/07	120%-150% FPL; program made permanent	$4,000 individual/ $6,000 couple; not indexed to inflation	$17,000 individual/ $34,000 couple; indexed to inflation
Part D Drug Benefit					
Low-Income Subsidy	Part D Premium and most Part D cost-sharing	Up to 150% FPL*	Unchanged	$11,710 individual/ 23,410 couple; indexed to inflation	$17,000 individual/ $34,000 couple; indexed to inflation

* FPL = federal poverty level

CHAMP Protects Medicare Consumers

The CHAMP Act would strengthen consumer protections to help address many of the problems that Medicare beneficiaries have faced, especially with Medicare Advantage plans. In particular, CHAMP would:

- **Increase funding for State Health Insurance Assistance Programs (SHIPs)**: SHIPs offer free, unbiased counseling to Medicare beneficiaries in every state. These programs have been chronically underfunded and subject to the annual appropriations process. CHAMP would create a dedicated funding stream for these programs paid for by fees collected from Medicare Advantage and Part D plans.
- **Limit out-of-pocket costs under Medicare Advantage**: Currently, Medicare Advantage plans can increase out-of-pocket costs for some services, so long as the overall value of the coverage they provide is at least equal to that of traditional Medicare. This means that beneficiaries in Medicare Advantage plans with unexpected health care needs, such as hospitalization, can end up paying much more than they would have if they were in traditional Medicare. The bill would prohibit Medicare Advantage plans from charging more than traditional Medicare.

- **Regulate Medicare Advantage plans**: The bill addresses the widespread marketing abuses committed by some Medicare Advantage plans, which have resulted in seniors losing access to their doctors and incurring unexpected medical bills. The National Association of Insurance Commissioners (NAIC) would develop model guidelines for marketing and enrollment by Medicare Advantage plans, as was done for private Medigap plans in the 1990s. In addition, state insurance commissioners would be given additional powers to investigate and take action against plans that harm beneficiaries.

CHAMP Improves Medicare Benefits

The CHAMP Act would also strengthen traditional Medicare by filling in some of the gaps in the program. Specifically, it would:

- **Eliminate cost-sharing for preventive care**: To encourage the use of preventive services, the bill would eliminate co-insurance and waive the deductible for these services.
- **Reduce cost-sharing for mental health coverage**: The bill would correct an inequity in current law by bringing the current 50 percent co-insurance for mental health services down to the 20 percent that beneficiaries pay for other Medicare services.
- **Address health disparities**: The bill would require collection and analysis of data on the race, ethnicity, and primary language of Medicare beneficiaries. Collecting this data would allow the tracking of disparities among Medicare beneficiaries. The bill also would create pilot programs to improve services for diverse populations.

The Outlook for CHAMP

The Senate has also passed a bill reauthorizing CHIP, but that bill has no provisions that affect Medicare. The House and Senate bills must now be reconciled by a conference committee before a final bill is voted on by both houses and sent to the President. Because reductions in Medicare Advantage overpayments are an integral source of funding for both CHIP and Medicare in the CHAMP bill, it is likely that the conference committee will look carefully at including these measures in the final CHIP reauthorization bill. The CHAMP Act presents an excellent opportunity to also make necessary and important improvements to strengthen the Medicare program and help low-income seniors and people with disabilities afford their health coverage.

FamiliesUSA
The Voice for Health Care Consumers

1201 New York Avenue NW, Suite 1100 ■ Washington, DC 20005
Phone: 202-628-3030 ■ E-mail: info@familiesusa.org
www.familiesusa.org