THE HEART IN Health Care Reform

What Health Care Reform Means for Medicare

Reflections to help people of faith understand how health care reform moves us toward a more compassionate health care future that affords health, wholeness, and human dignity for all

Medicare Background

Enacted in 1965, Medicare was established as a federal health insurance program for persons 65 and older. In 1972, Medicare eligibility was extended to certain permanently disabled persons and to individuals with end-stage renal disease. When first signed into law, Medicare covered 19.1 million people, nearly 10% of the population.

After surviving initial resistance that resembles opposition to the current health care reform, Medicare is now a successful and popular program that covers nearly all senior adults – 15% (1 in 6) of us – 39 million people age 65 and older and 8 million persons with disabilities.

Medicare operates with 2-3% administrative overhead expenses, compared to 9.5% overhead in private insurance.[i] It is threatened fiscally by the escalating costs of health care and the looming numbers of baby boomers who soon will be enrolled. It is threatened philosophically by those who oppose entitlement programs and wish to privatize it.

Over time, Medicare payment policy has shifted from one that produced savings to one that focused more on expanding access to private plans under Medicare and providing extra benefits to enrollees in private plans.

In 2010, payments for those in private plans (now called Medicare Advantage) now average 109% of the costs (about $1,000 more) for those in traditional Medicare.[ii] About one-fourth of Medicare enrollees are in Medicare Advantage private plans; 100% of Medicare enrollees pay for these plans.

Medicare Improvements in Health Care Reform

The 2010 health care reform law – the Affordable Care Act – contains a number of provisions that will improve Medicare services for senior adults in the United States, and extend Medicare's solvency for another ten years. The provisions of the law contribute to greater opportunities for health, wholeness, and human dignity for our nation's seniors, and move toward a more affordable, accessible, and accountable Medicare system.

Direct benefits to Medicare beneficiaries:

- **Prescription drugs.** The prescription drug coverage gap (the "doughnut hole") will be eliminated over ten years. In 2010, the coverage gap will be reduced by $250 in the form of rebate checks that have already been sent to millions of beneficiaries who have reached the doughnut hole. In 2011, program enrollees will receive a 50% discount off the price of brand name drugs during the coverage gap. In ten years, the doughnut hole will be closed completely. Other provisions will expand assistance for some low-income beneficiaries enrolled in the Medicare drug program.
- **Preventive care.** For traditional Medicare beneficiaries, in 2011 co-pays and deductibles will be eliminated from most preventive services. An annual comprehensive wellness visit and personalized prevention plan are added, which are not subject to coinsurance or deductibles.
- **Medicare Advantage plans.** The private-for-profit Medicare Advantage plans will be prohibited from charging beneficiaries higher cost sharing for services than is allowed in traditional Medicare. Plans that offer extra benefits will be required to give priority to wellness, preventive care services, and cost-sharing reductions over benefits not covered by traditional Medicare.
- **Physician incentives.** Generous incentives are in the Affordable Care Act to increase the number of primary care physicians and to encourage primary care physicians to treat Medicare beneficiaries.
- **Low-income program.** Outreach and enrollment assistance will be increased to beneficiaries eligible for the Part D low-income subsidy program.

Faithful Reform IN HEALTH CARE

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$500 billion in savings to the Medicare system:

The $500 billion in "cuts" that are being denounced in attack ads are NOT CUTS TO BENEFITS. Health care reform seeks to cut Medicare waste, fraud, abuse, and government subsidies for private-for-profit insurance.

- **Private-for-profit Medicare Advantage.** Payments to private-for-profit Medicare Advantage plans will be restructured. Excess payments will be rolled back, and performance bonuses will reward quality plans. Part of the argument to privatize Medicare is that the private market can provide the same or more benefits at a lower cost than the federal government can do it. Supporters believe that competition will keep the prices down and the quality up. However, recent research is showing that the government is actually paying $1000+ more for Medicare enrollees in private plans than those in traditional Medicare. Further, only 20% of Medicare beneficiaries are in the private plans subsidized by the government, but 100% of enrollees are paying for those subsidies!
- **Waste, fraud, abuse.** Penalties will be enhanced on providers for waste, fraud, and abuse.
- **Hospital readmissions.** Reimbursements to hospitals with excess preventable readmissions and hospital-acquired infections will be reduced.
- **Coordinated purchasing.** Value-based purchasing for hospitals, ambulatory surgical centers, skilled nursing facilities, and home health agencies will be established.

THE TRUTH (with the "big T"): Because of the 2010 reform of U.S. health care, Medicare is strengthened; beneficiaries will receive increased benefits; and costs will be controlled by cuts in waste, fraud, abuse, and government subsidies for private-for-profit insurance.

The Challenges to Justice

Medicare was vastly improved in the 2010 health care reform. Now, as reform is implemented, numerous opportunities will arise to further strengthen this program. Justice seekers will monitor continued progress because:

- Medicare still requires substantial out-of-pocket expenditures.
- Outpatient prescription drugs are available only through *private* drug plans and Medicare managed care plans.
- The legislation for the Medicare Part D drug benefit prohibits the government from negotiating bulk drug purchasing.
- Not all physicians will accept Medicare patients because of low reimbursement rates.

More info about Medicare in health care reform is available from:

Kaiser Family Foundation

Summary of Key Changes to Medicare in 2010 Health Reform Law
http://www.kff.org/healthreform/upload/7948-02.pdf

Medicare Advantage Fact Sheet
http://www.kff.org/medicare/upload/2052-14.pdf

AARP

What the New Health Care Law Means for People 65+
http://www.aarp.org/health/health-care-reform/info-06-2010/fact_sheet_health_law_65_plus.html

Centers for Medicare and Medicaid Services

Medicare and the New Health Care Law – What It Means for You
http://www.medicare.gov/Publications/Pubs/pdf/11467.pdf

Closing the Prescription Drug Coverage Gap
http://www.medicare.gov/Publications/Pubs/pdf/11464.pdf

U.S. Department of Health and Human Service

Health Care Reform for Seniors
http://www.HealthCare.Gov

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[i] [i] Annual Report of the Board of Trustees of the Federal Insurance Trust Fund, p. 7, <http://www.ssa.gov>.

[ii] Kaiser Family Foundation, Medicare Advantage Fact Sheet, September 2010, http://www.kff.org/medicare/upload/2052-14.pdf.