



Questions and Answers on Medicare and Health Reform

I worked hard my whole life and I'm just getting by now. Why should I pay more for my Medicare to cover the uninsured?

You won't. There are no Medicare benefit cuts in either the House- or Senate-passed health reform bills. Health reform legislation will not increase the share you pay under Medicare for a doctor visit, hospital stay, prescription drug or any type of medical treatment.

Is there anything good for Medicare in this bill? What's in it for me?

The biggest improvement is to Medicare drug coverage. The House bill phases out the donut hole—the gap in the Medicare drug benefit when consumers have to pay full price for their medicines and their premiums—by 2019. Both President Obama and Senate leaders have pledged to close the coverage gap by 2019. Both bills eliminate copays and deductibles for preventive care, and the Senate bill provides coverage for an annual check-up. Many of the payment reforms are also designed to improve the quality of care people with Medicare receive. For example, hospitals will receive incentives to improve patient care after discharge to prevent unnecessary readmissions, and doctors will be encouraged to coordinate care that their patients receive from different specialists.

Ten years to close the doughnut hole? I don't think I'll still be around. I need help now.

The help would start this year. During the phase-out, people with Medicare would receive a higher dollar amount of coverage each year before they hit the gap, and have to spend less out-of-pocket to get through the gap. Instead of growing each year, as it does now, the coverage gap would shrink, so during the phase-out people would be less likely to hit the gap at all, more likely to hit it later in the year and, if they have really high drug costs, more likely to get out of the gap and receive catastrophic coverage for the rest of the year. Also, if health reform passes, brand-name drugs would be sold at half-price to people in the coverage gap starting this year.

What about this "\$500 billion" in Medicare cuts? Where does that come from?

Both the House and Senate bills have over \$400 billion in Medicare savings over the next ten years. The largest portion of those savings comes from reducing the annual increase in

Medicare payments to hospitals, skilled nursing facilities and home health agencies. The annual increase would be reduced by a “productivity factor” to encourage medical providers to become more efficient.

Aren't those cuts too drastic? Will hospitals still be able to treat Medicare patients?

The major hospital associations have supported health reform, but only if the legislation succeeds in covering almost all uninsured Americans, who now show up at emergency rooms when they need treatment but can't pay for it. It is true that Medicare's independent actuaries have expressed concern that providers won't be able to meet the productivity target and people with Medicare might see reduced access to services. But the Medicare savings accrue over ten years, and Congress can revisit the payment rates if access problems begin to surface. Congress passed bills to moderate the Medicare cuts it had passed in 1997. The 1997 bill reduced Medicare spending by a higher percentage than the savings projected under health reform.

Will I still be able to see my doctor? She said there was a 21 percent Medicare pay cut coming.

There are no pay cuts for doctors in health reform. There are Medicare pay cuts for doctors scheduled under current law that will take effect March 1 and in following years if Congress does not act. These cuts are required under a payment formula that was enacted in 1998. Congress has passed bills to override the scheduled cuts in past years, but those bills have increased the cost of completely eliminating the payment formula. The House voted in November to replace the current payment formula with a payment system that does not require a series of annual pay cuts. It is now up to the Senate to act.

I am in Original Medicare, but my sister-in-law joined a “Medicare Advantage” plan. Is she going to lose her coverage?

Medicare pays private “Medicare Advantage” health plans 14 percent more per enrollee than it costs to provide care for the same person under Original Medicare. Both bills would bring the payments to the companies providing these plans more in line with costs under Original Medicare. Medicare private health plans would still be required to provide coverage that was at least as good as Original Medicare. Plans that deliver high-quality care and are efficient would still receive payments from Medicare to fund extra benefits, such as dental cleanings or lower copays for hospital stays that some plans provide, but the bills would reform the current system of subsidies. Both House and Senate bills would restrict the ability of Medicare private health plans to charge more than Original Medicare for specific services. Any person with Medicare who sees a premium increase or benefit reduction in their Medicare private health plan can change to another plan or return to Original Medicare for coverage.

How does all this get paid for? I'm worried about putting a burden on my grandkids.

The Congressional Budget Office (CBO) estimates that the combination of Medicare savings and increased revenues in both bills more than pays for coverage for the uninsured. As a result, both bills reduce the deficit over the first ten years as well as over

the longer term, according to CBO. If your grandchildren lose their jobs, or cannot get health coverage through their employer, they will still be able to afford health insurance. The Medicare savings all improve the financial health of the Medicare trust fund, which is funded by payroll taxes and pays for inpatient hospital care and other services under Medicare Part A.

It all sounds a little too perfect. Is there anything you don't like about the health reform bills?

No bill is perfect. We are concerned that the Senate bill creates an independent board that is empowered to limit spending growth in Medicare. We think it is better to leave those decisions to Congress, which is accountable to people with Medicare.

The Senate bill also increases the premiums for Part D drug coverage for the wealthiest 5 percent of people with Medicare (individuals earning over \$85,000 per year and couples earning more than \$170,000) who now already pay a higher Part B premium. We prefer the House bill on this issue; it exempts people with a one-time increase in income from the sale of their home from paying the higher Part B premium, and does not increase the Part D premium for higher earners. The House bill also helps low-income people with Medicare by allowing them to receive help with their Medicare costs even if they have a modest nest egg saved for retirement.

I'm still skeptical. I'd like to see some facts and figures. Where can I learn more?

You can learn more on our [Medicare and Health Reform webpage](#) which includes a detailed [side-by-side comparison](#) on the House and Senate bills.

One last thing. Who are you guys? There is a lot of spin out there. I don't like being spun.

You're right to be cautious. There are a lot of organizations and politicians who now claim to be defenders of Medicare who don't have a good track record of supporting Medicare.

The Medicare Rights Center is an independent, national, nonprofit consumer service organization that works to ensure access to affordable health care for older adults and people with disabilities through counseling and advocacy, educational programs and public policy initiatives. To learn more about us, visit www.medicarerights.org.