March 25, 2015

The Honorable John Boehner
Office of the Speaker
U.S. House of Representatives
Washington, DC 20515

The Honorable Nancy Pelosi
Office of the Democratic Leader
U.S. House of Representatives
Washington, DC 20515

Dear Speaker Boehner and Leader Pelosi,

On behalf of the Medicare Rights Center (Medicare Rights), I am writing to express our concern with the House leadership’s legislative package to repeal and replace the Sustainable Growth Rate (SGR) formula (H.R. 2). Medicare Rights is a national, nonprofit 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. Medicare Rights provides services and resources to over 1.5 million beneficiaries, family caregivers, and professionals annually.

We are grateful to the House Republican and Democratic leadership for working to develop an SGR compromise. The SGR formula is fundamentally flawed, and permanent changes to the Medicare reimbursement system are long overdue. We support legislative efforts to repeal the SGR and to move Medicare’s volume-based payment system towards one that incentivizes quality, efficiency, and innovation. Yet, H.R. 2 does not represent a fair deal for people with Medicare—expecting too much from beneficiaries in return for too little. The legislation’s treatment of health care “extenders” and its proposed offsets leave significant room for improvement.

In particular, low-income Medicare beneficiaries deserve a better deal on health care extenders. We appreciate and strongly support making the Qualified Individual (QI) program permanent, as included in H.R. 2. The QI benefit is essential to the financial stability of beneficiaries living on fixed incomes, paying Part B premiums for individuals with incomes between 120% to 135% of the federal poverty level (about $14,100 to $15,900 per year) and less than $7,280 in assets. Still, we are disappointed that H.R. 2 does not embrace additional reforms to the QI benefit and other Medicare Savings Programs, particularly given that over $30 billion of the legislation’s offsets are secured through provisions to shift higher cost sharing and premiums to some Medicare beneficiaries.

For too long, Congress has shirked its responsibility to Medicare beneficiaries with incomes too low to afford health care costs, yet too high to qualify for needed assistance. Permanent SGR reform presents an ideal opportunity to facilitate greater access to federal assistance designed to help vulnerable beneficiaries.
afford premiums and cost sharing. For example, Congress should consider aligning the QI benefit with the Part D Low-Income Subsidy (or Extra Help program) through an increased income threshold (up to 150% FPL) and asset test, as suggested by the Medicare Payment Advisory Commission.¹

While reforms to Medicare low-income assistance programs are critically important, Congress must also ensure that the community-based organizations that serve low-income Medicare populations are adequately resourced. We are disappointed that H.R. 2 only temporarily extends low-income outreach and enrollment funding to support State Health Insurance Assistance Programs (SHIPs), Area Agencies on Aging (AAAs), Aging and Disability Resource Centers (ADRCs), and the National Center for Benefits Outreach Enrollment through FY2017. These funds should be made permanent as part of legislation to repeal and replace the SGR.

In addition, we are concerned with the offset provisions in H.R. 2, including proposals to scale back comprehensive Medigap coverage and to increase costs for those already paying higher Part B and Part D premiums. The clients we represent include those beneficiaries whose Medicare cost sharing will be altered by the offsets included in H.R. 2. In particular, we are most troubled by the provision to prohibit Medigap plans from covering costs up to the Part B deductible, starting in 2020 for newly eligible Medicare beneficiaries.

We fundamentally disagree with the premise that Medigap “first-dollar” coverage should be undone as a means of controlling health care service utilization. Decades of empirical research consistently demonstrates that, while higher out-of-pocket costs certainly deter health care utilization, it deters utilization of needed care as well as unneeded care indiscriminately. Additionally, research consistently supports what we know to be true through our experience serving people with Medicare: health care providers—not beneficiaries—order services and ultimately drive utilization trends.²

Medigap provides health security and peace of mind to beneficiaries living on fixed incomes. The value of Medigap to people with low- and middle-incomes is its predictability. Planning for the expense of a monthly premium is doable, but the same is not true for the unexpected cost of a deductible. This security is critically important to the 40% of Medigap enrollees with incomes below $30,000.³ We believe comprehensive, “first-dollar” Medigap plans should remain available to future retirees.

At the same time, additional income-relating of Part B and Part D premiums concerns us. These provisions in H.R. 2 represent a sizable cost shift to select Medicare beneficiaries, and half of the total offsets included in the legislative package. This precedent troubles us, particularly as H.R. 2 includes no pharmaceutical savings. Restoring Medicare drug rebates for low-income beneficiaries could pay for over $120 billion of what it costs to repeal and replace the SGR. Even smaller proposals, such as allowing the Secretary of Health and Human Services to negotiate on high-cost specialty drugs, closing the Part D

² National Association of Insurance Commissioners, "Medigap PPACA (B) Subgroup" (as of June 2011) available at: http://www.naic.org/committees_b_stif_medigap_ppaca_sg.htm; See literature under: “Cost-sharing Research and Literature”
coverage gap faster, and prohibiting pay-for-delay agreements could achieve savings, while doing no harm to Medicare beneficiaries.

In closing, we hope that both the Senate and the Obama Administration will take the time needed to improve on H.R. 2. We urge Congress to devise a fairer deal for people with Medicare.

Sincerely,

Joe Baker
President
Medicare Rights Center

CC: The Honorable Mitch McConnell, Leader, U.S. Senate
    The Honorable Harry Reid, Democratic Leader, U.S. Senate