

Medicare Reform Proposals

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The Affordable Care Act included several Medicare provisions

- Benefit improvements: eliminated cost-sharing for many preventive services and closing the Part D coverage gap (aka “donut hole”) by 2020
- Reduced payment updates to hospitals and other providers and payments for Medicare Advantage plans
- Generated new revenues: income-related Medicare Part B and Part D premiums, payroll tax increase for high earners, fee on branded drug manufacturers
- Set in motion many payment & delivery system reforms; authorized Medicare Shared Savings Programs; created the Center for Medicare & Medicaid Innovation (CMMI) to test and implement new models
- Authorized the Independent Payment Advisory Board (IPAB), an independent board aimed at slowing Medicare cost growth as needed
- CBO estimate: \$802 billion reduction in net Medicare spending over 10 years (FY2016-2025)

The American Health Care Act retains most but not all Medicare provisions in the ACA

Medicare Provisions *Unchanged in AHCA*

- Reductions in payments to Medicare Advantage plans and providers
- Benefits: reduced cost-sharing for preventive benefits and closes Part D coverage gap (“donut hole”)
- Income-related Parts B/D premiums
- Independent Payment Advisory Board (IPAB) and CMMI

Medicare Changes Proposed by AHCA

- Repeals HI (Part A) payroll tax (0.9%) on high earners
- Repeals annual fee paid by Rx drug manufacturers
- Reinstates employer tax deduction for retiree drug subsidy
- (Medicaid per capita caps: a change to Medicaid with implications for Medicare)

Why the Medicaid Per Capita Cap Proposal Could Impact Medicare

1 in 5 Medicare beneficiaries receives help from Medicaid (11 million people)



2 in 5 Medicare beneficiaries with Medicaid are adults under 65 with significant disabilities (4.6 million people)

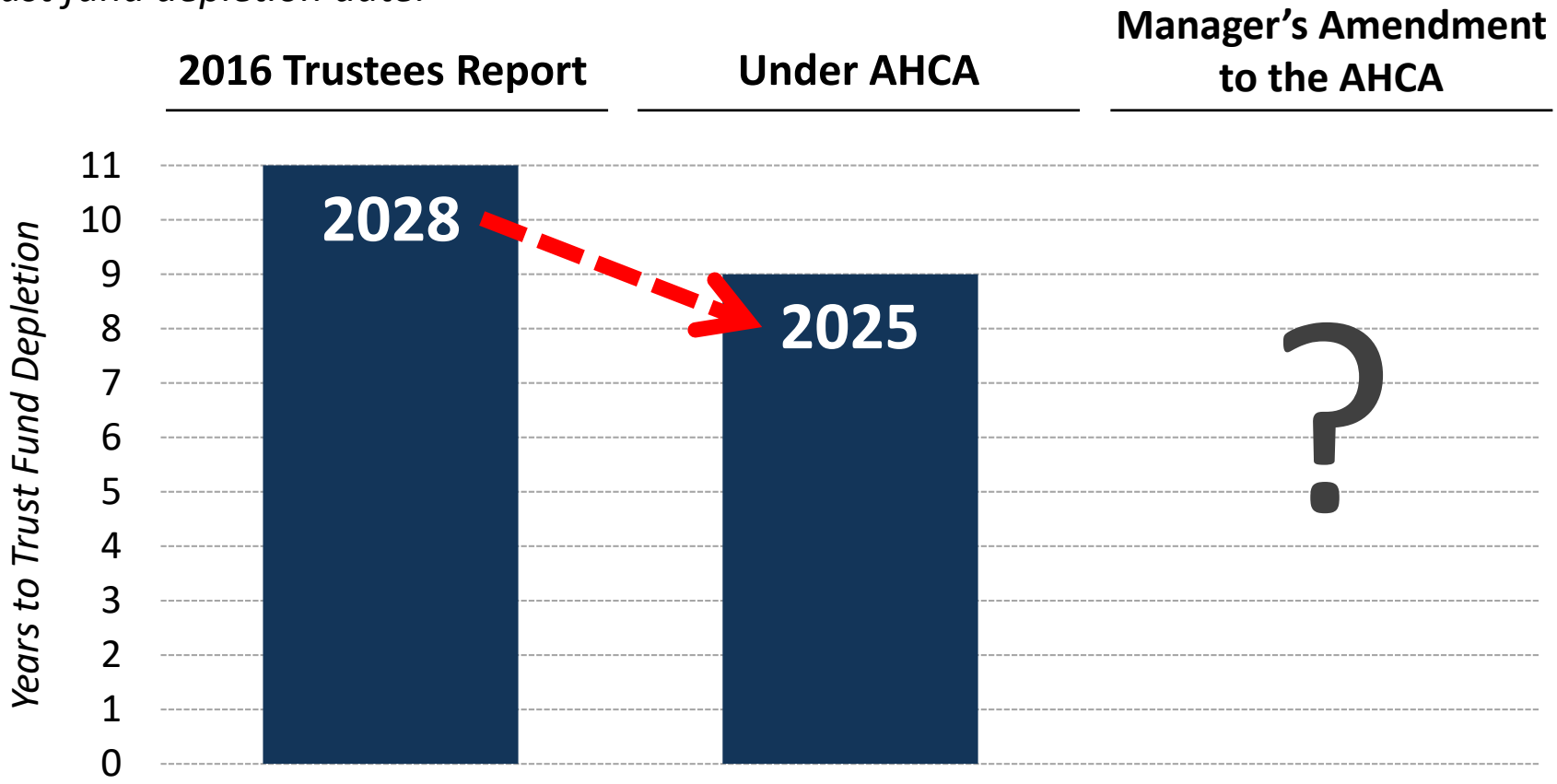


1 in 4 Medicare beneficiaries with Medicaid are enrolled in a Medicare Advantage plan (3 million people)



The AHCA would repeal the Medicare payroll tax surcharge on high-income earners, depleting the Medicare Part A trust fund in 2025

Trust fund depletion date:



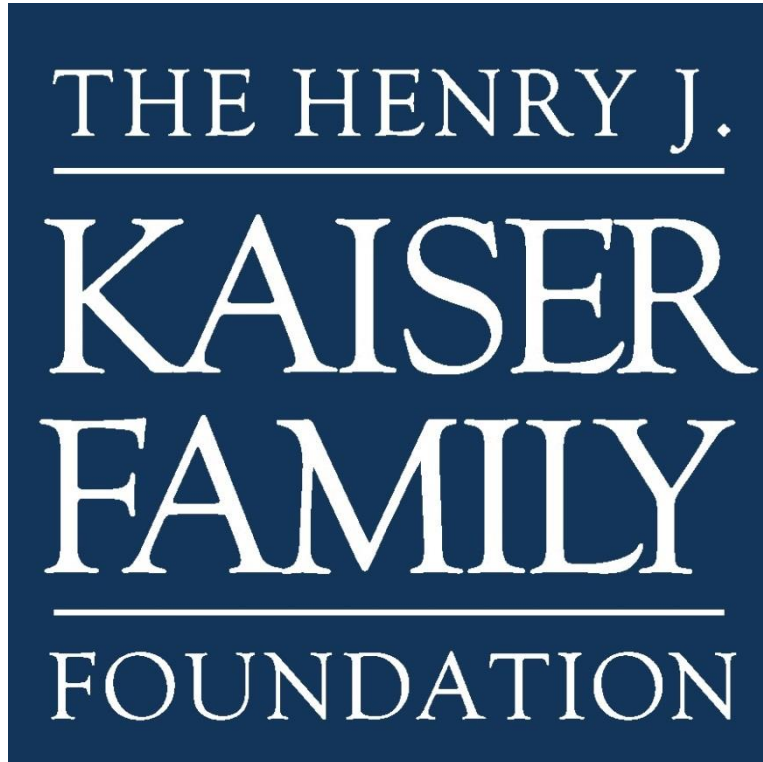
Note: The ACA extended Part A Trust Fund solvency by 12 years, from 2017 to 2029.

SOURCE: Kaiser Family Foundation, "What Are the Implications for Medicare of the American Health Care Act?"; Trust Fund solvency note from "2010 Annual Report of the Boards of Trustees."

Other Medicare proposals could emerge in the future, by statute or regulation

- **Fundamental reforms to Medicare**
 - Raise age of Medicare eligibility
 - Convert to a premium support system
 - Change the structure of Medicare benefits and cost-sharing
 - Restrict/penalize supplemental coverage
 - Means-testing
- **Medicare Advantage**
 - Administrative changes
 - Changes in law
- **Revisiting balance billing protections**
- **Prescription drug pricing/competitive bidding**
- **Delivery system reform/dual integration?**

Medicare Resources on KFF.org



- ✓ What Are the Implications for Medicare of the American Health Care Act?
- ✓ What Could a Medicaid Per Capita Cap Mean for Low-Income People on Medicare?
- ✓ Medicare Premium Support Proposals Could Increase Costs for Today's Seniors, Despite Assurances
- ✓ Comparison of Medicare Provisions in Recent Bills and Proposals to Repeal and Replace the Affordable Care Act
- ✓ 10 Essential Facts About Medicare's Financial Outlook

For more information,
visit kff.org/medicare