

Timeline of Highlights of the Medicare Overhaul:

Changes Beginning in 2004

Temporary Rx drug discount card

- Seniors can buy discount cards for beneficiaries in April 2004, which can provide savings from 15-25% per prescription until the permanent benefit is established in 2006.
- Low-income beneficiaries get \$600 in annual assistance in 2004-5.

Hospitals

- For fiscal 2004, the rate of change in payments to hospitals would match the rate of change in the price for a “market basket” of certain goods used by hospitals.
- For fiscal year 2005, 2006 and 2007, hospitals would have to furnish information on quality to the Centers for Medicare and Medicaid Services, or face reductions in payments.
- The bill calls for an 18-month moratorium of the self-referral whole hospital exemption for new specialty hospitals -- not including existing hospitals or those under construction.

Payments to physicians

- The bill would block 4.5% planned cut in 2004 and again in 2005. Instead, doctors would receive at least 1.5% increase in 2004 and 2005.

Durable equipment (crutches, walkers, etc.)

- Rates would be frozen from fiscal year 2004 to 2006.
- Competitive bidding in the 10 largest metropolitan statistical areas would begin in 2007, to have 80 such areas in 2009.

Laboratory payments

- Payment rates to laboratories would be frozen for five years.

Home health care

- Requires no co-payment, (same as current law).
- Provides a 5% bonus for rural home health care providers for one year, from April 04-April 05.

Cost containment attempts

- Any year general revenue under the plan exceeds 45% of Medicare spending, the president is required to reduce spending by either increasing rates and/or decreasing services for seniors.
- This review and re-working of spending and services would be automatic under this bill, surprising many seniors each year when a mandatory cut is likely.
- This is the first time a federal program is subject to such an arbitrary cap in spending; no other federal spending is subject to such a cap.

Rural package

- Higher payments would be made to rural and small urban hospitals that have a disproportionate share of low-income patients. The bill would supposedly adjust payments to hospitals in outlying areas that have a low volume of patients.

Health savings accounts

- Law establishes health savings accounts (HSAs) allowing any taxpayers with a high-deductible health insurance plan to save and withdraw money tax-free to pay for medical expenses.
- Individuals could contribute an amount equal to the amount of their deductible. The annual maximum that could be contributed is \$2,600 for a self-only policy and \$5,150 for a family policy. These amounts would be indexed annually for inflation.

Drug importation

- The bill would effectively ends re-imported drugs from Canada, (it would be at discretion of HHS secretary, who has already said he won't allow it).

Changes Beginning in 2006

Prescription drug benefit

- The government would pay 75 percent of the cost of drugs annually, up to \$2,250. Once the senior has paid \$3,600 out of pocket, the government would pay 95 percent of the cost of drugs.

Low-income assistance

- Seniors on Medicare and Medicaid would have access to the Medicare drug benefit.
- Beneficiaries with incomes up to 150% of the poverty level (now \$27,600 for a family of four) would get a benefit with no gaps in coverage but would be subject to premiums based on a sliding scale and co-payments.

No Medigap coverage for Rx drugs

- After Jan. 1, 2006, plan prohibits sale of Medigap policy to help seniors cover drug costs.

Company provided retiree coverage

- Companies would receive \$70 billion in subsidies and tax brakes over 10 years to encourage them to continue offering health care for their retirees. (But as prices skyrocket, there is no incentive for them to keep offering those benefits.)

Changes Beginning in 2007

Income perimeters for Medicare Part B

- After a five-year phase-in beginning in 2007, Part B Medicare premiums would be subsidized on the following schedule:

<i>Singles income</i>	<i>Couples income</i>	<i>Premium subsidy</i>
Under \$80,000	Under \$160,000	75%
\$80,000 to \$100,000	\$160,000 to \$200,000	65%
\$100,000 to \$150,000	\$200,000 to \$300,000	50%
\$150,000 to \$200,000	\$300,000 to \$400,000	35%
Over \$200,000	Over \$400,000	20%

Changes beginning in 2010

Competition, Privatization of Medicare

- Private insurers would be able to begin bidding to serve Medicare beneficiaries in geographic regions beginnings in 2006. Payment rates would be based on a blended average of the bids.
- The traditional Medicare system would compete with private plans in up to six metropolitan statistical areas beginning in 2010.

(Excerpted largely from *CQToday*, Tuesday, November 25, 2003)