



Summary of Select Federal Medigap First-Dollar Coverage Proposals

(September 21, 2011)

Proposal	Background	Recommendations (Estimated savings, when known/ available)	Hyperlink
<p><i>September 2011 President's Deficit Reduction Plan</i></p>	<p>The President's plan includes \$320 billion in budget savings from health programs, while also calling for \$1.5 trillion in additional revenue and \$1 trillion in savings by scaling back military operations in Afghanistan and Iraq. Proposals addressing health policy issues would achieve an estimated \$248 billion in savings from Medicare and \$72 billion in savings from Medicaid and other health programs.</p> <p>Here is a link to the transcript of the President's speech in which he outlined his deficit reduction plan</p>	<p>The following are several notable proposals that may have a direct (or indirect) impact on Medicare supplement (Medigap) coverage:</p> <ul style="list-style-type: none"> • Introduce a Part B premium surcharge for new beneficiaries that purchase Medigap policies with particularly low cost-sharing requirements, beginning in 2017. (Ten-year savings estimated at \$2.5 billion) • Increase the income-relating of beneficiary premiums for Medicare Parts B and D for higher income beneficiaries, beginning in 2017. (Ten-year savings estimated at \$20 billion) • Modify Part B deductible for new beneficiaries to apply a \$25 increase in 2017, 2019, and 2021 for new beneficiaries. (Ten-year savings estimated at \$1 billion) • Introduce home health co-payments for new beneficiaries of \$100 per home health episode, applicable for episodes with five or more visits not preceded by a hospital or other inpatient post-acute care stay. This would apply to new beneficiaries beginning in 2017. (Ten-year savings estimated at \$400 million) 	<p>http://www.whitehouse.gov/sites/default/files/omb/budget/fy2012/assets/jointcommitteereport.pdf</p>

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		<ul style="list-style-type: none"> Update Medicare payments to more appropriately account for utilization of advanced imaging. Medicare spending for imaging services paid for under the physician fee schedule has grown dramatically in recent years due to an increase in the number and intensity of these services. MedPAC has stated that this volume growth may signal that these services are mispriced and has supported Medicare payment changes for expensive imaging equipment. Beginning in 2013, this proposal Implement a payment adjustment for advanced imaging equipment to account for higher levels of utilization of certain types of equipment. (Ten-year savings estimated at \$400 million) Adopt prior authorization for the most expensive imaging services, beginning in 2013, to ensure that these services are used as intended and protect the Medicare program and its beneficiaries from unwarranted use. (Ten-year savings estimated at \$900 million) Strengthen the Independent Payment Advisory Board (IPAB) by reducing its growth rate target for health care spending from GDP plus one percent to GDP plus 0.5 percent. 	
July 2011 Coburn Proposal	Senator Tom Coburn (R-OK) announced a proposal , including changes to Medicare and Medigap, to reduce the federal budget deficit by \$9 trillion over the next ten years.	<ul style="list-style-type: none"> Phase in an increase for Medicare eligibility to age 67, and then index eligibility to life expectancy, reaching 69 in 2080 (\$124 billion over 10 years). Create a single combined annual deductible of \$550 for both Part A and Part B services with a 20% uniform coinsurance on spending above the deductible. Reduce coinsurance to 5% for costs in excess of \$5,500 and cap cost sharing at \$7,500 (when combined with bullet below, \$130 billion over 10 years). Raise cost-sharing maximum for higher-income individuals (\$5 billion). Prohibit Medigap policies from covering any of the first \$550 of cost-sharing and limits coverage to 50% of the next \$5,000. 	http://coburn.senate.gov/public/index.cfm?a=Files.Serve&File_id=c6590d01-017a-47b0-a15c-1336220ea7bf (See pps. 512-523)

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		<ul style="list-style-type: none"> • Phase-in increase of Part B premium paid by beneficiaries from 25% to 35% of program costs (\$241 billion over 10 years). • Require beneficiaries with incomes exceeding \$150,000 (and couples above \$300,000) to pay the full premium costs under both the Part B and Part D (\$21 billion over 10 years). • Combat waste, fraud, and abuse (\$100 billion over 10 years). • Phase out Medicare payments for hospital bad debts (\$23 billion over 10 years). • Accelerates payment changes for home health services (\$9 billion over 10 years). • Freeze current provider reimbursement levels for 10 years and offset the cost with savings in the overall proposal. 	
<p>June 2011 Coburn – Lieberman Proposal</p>	<p>Senators Tom Coburn (R-OK) and Joe Lieberman (I-CT) announced a package of proposed changes to Medicare and Medigap that would achieve an estimated \$600 billion in budget savings over ten years.</p>	<ul style="list-style-type: none"> • Increase the Medicare eligibility age from 65 to 67 over a 5-year period. (\$124 billion over 10 years). • Create a single combined annual deductible of \$550 for both Part A and Part B services and an annual cap on out-of-pocket costs of \$7,500 (when combined with bullet below, \$130 billion over 10 years). Set the annual cap at higher levels for individuals with incomes exceeding \$85,000 and for couples with incomes exceeding \$170,000 (\$10 billion). • Prohibit Medigap policies from covering any of the first \$550 of cost-sharing and limit coverage to no more than ½ of the remaining coinsurance. • Increase the Part B premiums paid by beneficiaries from 25% to 35% of program costs. This proposal would be phased in over a 5-year period and is estimated to achieve \$241 billion in budget savings over 10 years. 	<p>http://coburn.senate.gov/public/index.cfm/presreleases?ContentRecord_id=ae711529-741a-4f52-89eb-4e6ef1c861a7</p>

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		<ul style="list-style-type: none"> - Require beneficiaries with incomes exceeding \$150,000 (and couples above \$300,000) to pay the full premium costs under both the Part B and Part D (\$19 billion). • Combat waste, fraud, and abuse (\$100 billion over 10 years). • Phase-out Medicare payments for bad hospital debts (\$25 billion). • Accelerate payment changes for home health services (\$9 billion). • Includes a 3-year Medicare physician payment “fix” (<i>cost</i> of \$37.7 billion). 	
June 2011 Lieberman Proposal	Senator Joe Lieberman (I-CT) published an Opinion Editorial in the Washington Post sharing his thoughts on how to save the Medicare program.	<ul style="list-style-type: none"> • Raise the Medicare eligibility age by 2 months annually, starting in 2014, until it reaches 67 by 2025. • Combine the Medicare Part A and Part B deductibles. • Require a co-payment on all Medicare services. • Add a maximum out-of-pocket benefit. • Raise the premiums for all new enrollees in Part B and part D starting in 2014 to 35 percent of program costs (current level is 25 percent). • Reform the way Medigap policies work. • Require higher-income Americans pay an additional 1 percent of every dollar they earn over \$250,000. 	http://www.washingtonpost.com/opinions/how-medicare-can-be-saved/2011/06/06/AGexjqNH_story.html
June 2011 MedPAC Report	The Medicare Payment Advisory Commission (MedPAC) released their June 2011 Report to Congress entitled, <i>Medicare and the Health Care Delivery</i>	<ul style="list-style-type: none"> • Cap beneficiary out-of- pocket costs. • Combine the Medicare Part A and Part B deductibles. 	http://www.medpac.gov/documents/Jun11_EntireReport.pdf (See

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	<p><i>System.</i> This is an annual report that focuses on some of the key challenges facing Medicare.</p> <p>The report builds on previous MedPAC recommendations reform Medicare’s payment system and the fee-for-service benefit design while also redefining the role of supplemental coverage.</p>	<ul style="list-style-type: none"> • Create incentives to use providers for specific services or procedures. • Create financial incentives for enrollees to see high-performing or low-cost providers. • Provide incentives for enrollees to adopt healthier behaviors. • Prohibit Medicare supplement insurance from providing first-dollar coverage [e.g., bar payment of the first \$550 of cost-sharing, limit coverage to 50% of the next \$4950 of cost-sharing with all further cost sharing covered by the policy (\$5 billion)]. • Require beneficiaries to pay a fixed-dollar copayment for certain services (e.g., office visits and emergency room use), with exceptions provided in certain circumstances (e.g., low-income beneficiaries and/or better health outcomes). • Impose an excise tax on insurers that offer the most complete coverage – i.e., supplemental policies that fill in most of Medicare’s cost-sharing. 	Chapter 3)
<p>March 2011 CBO Budget Options Report</p>	<p>The Congressional Budget Office (CBO) released a new report on March 10, 2011 outlining a range of policy options for reducing the federal budget deficit. CBO emphasized that these are options – not recommendations.</p> <p>A number of health policy issues, some of which have been included in past versions of this report, were identified.</p>	<ul style="list-style-type: none"> • Raise the Medicare eligibility age to 67 (\$124.8 billion). • Change Medicare and Medigap’s cost-sharing structure: <ul style="list-style-type: none"> – Option One: Replace the current structure, beginning in 2013, with a single combined deductible of \$550, a uniform coinsurance rate of 20% for amounts above the deductible and an annual out-of-pocket cap of \$5,500 (\$32 billion). – Option Two: Bar Medigap policies, beginning in 2013, from paying any of the first \$550 of an enrollee’s cost-sharing liabilities, limit coverage to 50% of the next \$4,950, with 100% coverage thereafter (\$53.4 billion). <p><i>Note: All further cost-sharing would be covered by the Medigap</i></p>	<p>http://www.cbo.gov/ftpdocs/120xx/doc12085/03-10-ReducingTheDeficit.pdf (See pps. 45-51)</p>

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		<p><i>policy, so enrollees in such policies would not pay more than about \$3,025 in cost-sharing in that year.</i></p> <ul style="list-style-type: none"> - Option Three: Bar Medigap policies, beginning in 2013, from covering any of the \$550 combined deductible and require beneficiaries to pay a 10% coinsurance for all services until the \$5,500 out-of-pocket cap is reached (\$93 billion). <p><i>Note: Under this option, the level of beneficiary spending at which the Medigap policy's cap on out-of-pocket costs was reached would be equal to the level at which the Medicare program's cap was reached. For spending between the deductible and the out-of-pocket cap, Medigap policyholders would face a uniform coinsurance rate of 10% for all services; Medicare beneficiaries without other types of supplemental coverage would face a uniform coinsurance rate of 20% on all services.</i></p> <ul style="list-style-type: none"> • Impose copayments under Medicare for the first 20 days in a skilled nursing facility (\$21.3 billion) and for home health care (\$40.1 billion). • Increase the Medicare Part B premium from 25 percent to 35 percent of the program's cost (\$241.2 billion). • Increase the payroll tax for Medicare hospital insurance to 3.95% (\$651 billion). 	
<p>2010 National Fiscal Commission Report</p>	<p>The National Commission on Fiscal Responsibility and Reform released their final 2010 report on December 1, 2010, outlining their plan for achieving deficit reduction and addressing the nation's long-term fiscal challenges.</p> <p>The Commission did <u>not</u> officially approve the report; however, all members of the Commission agreed that major policy</p>	<ul style="list-style-type: none"> • Establish a single combined Part A and Part B deductible of \$550, along with 20 percent coinsurance on health spending above the deductible (\$10 billion in 2015, \$110 billion through 2020). • Provide catastrophic protection for seniors by reducing the coinsurance rate to 5 percent after costs exceed \$5,500 and cap total out-of-pocket cost-sharing at \$7,500 (savings included in above estimates). • Prohibit Medigap plans from covering the first \$500 of an enrollee's cost-sharing liabilities and limit coverage to 50 percent of the next \$5,000 in 	<p>http://www.fiscalcommission.gov/sites/fiscalcommission.gov/files/documents/TheMomentofTruth12_1_2010.pdf (See Recommendations 3.3.2 and 3.3.3)</p>

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	changes are needed.	<p>Medicare cost-sharing (\$4 billion in 2015, \$38 billion through 2020).</p> <p><i>Note: The Commission also recommends similar treatment of TRICARE coverage, as well as coverage for federal retirees and for private employer-covered retirees.</i></p>	