HI Tax - 7.1

MC +15

HH Plan ~18

Coalition Budget
Summary of Major Provisions

High Inc ~9

February 26, 1997

Hosp ~15

Medicare

Provides for $119 billion in Medicare savings over five years. The major provisions include:

Expanded Choice

- Achieves $15 billion in savings from utilization of private options for Medicare beneficiaries through the following reforms:

- Decouples payments to risk contracts from fee-for-service patterns. Payments would increase by the national average capitated rate. The federal payments to risk contracts would grow at a national average of 5.5% for 1998 through 2002.

- Contains reforms to expand choice for seniors and increase utilization of private plans. Allows Medicare beneficiaries to join Provider Sponsored Networks (PSNs), Preferred Provider Organizations (PPOs), Health Maintenance Organizations (HMOs), Point of Service (POS) plans and other private plans.

- Reforms Adjusted Average Per Capita Costs (AAPCC) to allow seniors in rural and underserved areas to benefit from expanded choice. AAPCC reform means more equitable payments to all areas. Re-bases the Average Adjusted Per Capita Cost (AAPCC) by establishing a floor on payments for all regions at 85% of the national average. Provides variable rates of growth to bring equity to payments nationally.

- Payments to disproportionate share hospitals and teaching hospitals would be removed from calculations of the AAPCC and given directly to teaching hospitals through the graduate medical education trust fund (see below)

- Balanced billing is prohibited; emergency situation defined in layman's terms.

- Implements a Medicare Medical Savings Account demonstration project limited to 300,000 beneficiaries.

- Implements a demonstration project capped at $65 million a spending a year for Medicare subvention allowing military retirees to use their Medicare benefits to participate in TRICARE, the managed care plan for the Department of Defense.

Beneficiaries

- Part B Premium will remain at 25% of all Part B costs, including costs until 2002.

- Costs of home health benefits included in calculation of Part B premium for all beneficiaries, except for individuals with incomes below $30,000 a year.

- Means-test on Part B premium for upper-income individuals phased in at $50,000 (individual) and $75,000 (couple). Premiums equal to 100% of program costs at $100,000 (individuals) and $125,000 (couples). Income-related premiums collected through tax code.

- Expanded coverage for preventive care for diabetes screening and mammogram.

Doctors

- Achieves approximately $5.3 billion in savings over five years through changes to physician payments.
- Implements Physician Payment Review Commission recommendations with a single conversion factor.
- Use real GDP growth in determining the rate of growth for physician payments under the Medicare Volume Performance Standard.
- Eliminates provisions prohibiting doctors from being affiliated with labs that do Medicare lab work for them and includes limits on medical malpractice lawsuits.

Hospitals

- Achieves net savings of $38.3 from all hospitals, including teaching hospitals.
- Hospitals allowed to form Provider Service Organizations to compete for risk-based contracts. Establishes federal regulations for PSO solvency standards and enrollment requirements that take into account hospital's role as a health care provider. States can choose to certify PSOs based on federal standards. After four years, states will certify as long as their standards are equal to federal standards.

Achieves gross savings in hospital payments of $43.1 billion over five years (not including savings or costs related to teaching hospitals) through the following reforms:

- Update set at market basket minus 2% in 1998, market basket minus 1.5% for 1999 through 2002, with a 0.5% higher update for rural hospitals. Sets a floor ensuring that updates will not fall below 1%
- Extends 15% reduction in payments for hospital capital improvements
- Establishes moratorium on PPS exemption for long-term care hospitals.
- Establishes PPS for rehabilitative hospitals
- Establishes Prospective Payment System for Outpatient services
- Eliminates formula overpayments for outpatient services
- Eliminates higher payments to hospitals with Skilled Nursing Facilities for patients that have been discharged from the hospital and then re-enrolled in the SNF.

Teaching Hospitals

- Establishes a trust fund for payments to teaching hospitals. Provides $10.4 billion in funding over five years for the trust fund by removing Disproportionate Share, Graduate Medical Education and Indirect Medical Education payments from the Average Adjusted Per Capita Cost (AAPCC) payment for managed care contracts and returning 75% of the funds to the Trust Fund. Payments from the trust fund will go directly to hospitals.
- Establishes limits on new residents and Reduces Indirect Medical Education funds from 7.7% to 6.8% through 1999 and 6.5% through 2002.

Home Health

- Achieves approximately $15.1 billion in savings over five years from reforms to home health.
- Implements PPS for home health benefits effective in 1999.
- Eliminates Periodic Interim Payments for home health.
- Tightens definition to homebound to ensure that home health benefits are only provided to individuals who truly cannot leave their home.
- Extends OBRA 93 payment limitations through 1999.
- Eliminates home health claims at the higher urban rate for services performed in lower-rate settings.
- Transfers home health visits that are not post-acute (visits that do not follow a hospitalization or are more than 100 visits after a hospitalization) to Part B. The costs of the home health benefit would be counted in the calculation of the Part B premium for all beneficiaries with incomes above $30,000 a year.

·sing Homes

- Achieves $6.8 billion in savings over five years by establishing a Prospective Payment System for payments to Skilled Nursing Facilities.
- Implements routine cost limits for nursing home services; eliminates exceptions and exemptions to routine costs limits; and limits payments for ancillary services at a blended rate.
- Extends OBRA 93 payment limitations through 2002.
- Reduce updates for Skilled Nursing Facilities to market basket minus 2 percent.

Other Savings

- Permanently extends the Medicare secondary payer provisions for the disabled and End Stage Renal Disease that were enacted in 1993 for 24 months.
- Extends the hospital insurance tax to cover certain groups of federal, state and local workers who are currently not covered, saving $7.1 billion over five years.
- Freezes durable medical updates through 2002. Imposes a 2% reduction in CPI adjustment for durable medical equipment and reduces oxygen reimbursement by 10% instead of 20%.
- Freezes Clinical lab updates through 2002.

Fraud Reduction

- Directs HCFA to conduct a demonstration project on reducing fraud by awarding contracts within six months of enactment of this section to reduce fraud in three Medicare contractors by 1) identifying providers whose practice patterns are consistently outside the norm of their peers and 2) identifying and proving fraudulent claims before they are paid .

Rural Health

- Incorporates Rural Health Care Coalition proposals to improve access to health care in rural areas.
- Expands access to private options in rural areas by providing more equitable payments for underserved areas through revisions to the AAPCC.
- Directs the Secretary of HHS to conduct demonstration projects to identify ways to increase the availability of managed care options in rural areas.

Medicare Reform Commission

stablished a blue-ribbon Commission appointed by the President and the bi-partisan Congressional .eadership to monitor the implementation of the reforms in the bill and make recommendations regarding additional reforms that are necessary.

- The Commission would be required to report to Congress every three years on how effective the reforms have been in meeting certain goals:

  Reducing the rate of growth in Medicare to the levels projected in the budget plan;

  Ensuring that per capita spending in traditional Medicare does not exceed per capita payments for beneficiaries in private options;

  Improving the availability of choices in rural areas;

  Ensuring that payments to private plans are sufficient to provide adequate benefits;

  Preparing for the retirement of the Baby Boom generation;

  Providing adequate payments for Medicare Dependant Hospitals.

- If the Commission finds that the goals are not being met or determines that additional reforms are necessary, it would recommend changes to the program in order to correct the problem.
- Congress would be required to vote on legislation to correct the problem under a fast track procedure. ongress could pass the recommendations of the President, the Commission proposal, an alternative oposal developed by Congress, or explicitly vote against any changes to the Medicare program.

DRAFT

BLUE DOG PART B PREMIUM POLICY

- Total Beneficiary Contributions. Coalition documents indicate that their plan achieves $26 billion in savings from beneficiary contributions. We have seen no CBO scoring of these proposals but do have preliminary Coalition worksheets estimating CBO scoring.

- Part B Premium as Percent of Program Costs. The Coalition assumes extension of the 25% Part B premium for all enrollees until 2002, the President's plan makes this extension permanent. The President's proposal was scored by CBO at $9 billion from FY 1998-2002. Preliminary Coalition worksheets show $8.8 billion in savings over this time period from their premium extension policy.

- Treatment of Reallocated HH Outlays to Part B. The Coalition applies reallocated outlays to the calculation of the Part B premium, but only for those individual beneficiaries with incomes above $30,000. Low income beneficiaries pay a Part B premium based on SMI outlays without the home health reallocation. Coalition summaries do not clarify how couple income is treated--i.e., are there different threshold for couples. Preliminary Coalition worksheets show $6.7 billion in saving from this proposal.

  The Coalition indicates that 65 percent of beneficiaries fall below this threshold. Our analysis of Treasury tax filing data show 78 percent of all filers aged 65 and older fall below this threshold.

- Income Related Premium. The Coalition proposes an income related Part B premium phased in at $50,000 for individuals and $75,000 for couples. Individuals would pay 100 percent of Part B costs at incomes of $100,000, couples at $125,000. The premium would be collected via the tax code. Coalition staff indicate $14 billion in savings from this proposal.