Medical Savings Account (MSA) Demonstration

Conference Provision: The Republican agreement establishes a MSA demonstration for 500,000 beneficiaries. Beneficiaries choosing a MSA will be required to purchase an insurance plan with an annual deductible of up to $6,000 (deductible thresholds will be increased yearly by the same percentage used to update payment to plans). Medicare will contribute the remaining funds to the beneficiaries MSA. The beneficiary may withdraw from the MSA to pay for medical expenses. The beneficiary may also withdraw funds, subject to a penalty, for non-medical expenses. The Medicare payment for beneficiaries choosing MSAs will reflect the Medicare Choice payment for that member.

250,00 [illegible]

Administration Position: The Administration opposes a MSA demonstration of 500,000 beneficiaries.

[illegible]

Problems with Conference Provision:

- The MSA demonstration is likely to attract beneficiaries with low expected health care costs. Under the demonstration, Medicare will make a capitated payment on behalf of this member based largely on the average cost of Medicare beneficiaries in that geographic area. As the MSA beneficiary will likely be healthier than average, Medicare will pay more for this beneficiary in the MSA than they would have under the traditional fee-for-service program. Healthier beneficiaries exiting the fee-for-service program destabilizes Medicare as there are fewer low-cost beneficiaries to offset higher cost beneficiaries.

- The Administration also recognizes that the MSA policy may place beneficiaries in a precarious position. If a beneficiary experiences an unprecedented illness or accident, he/she may not have adequate funds in the MSA to make an out-of-pocket payment as high as $6,000 when they require medical care.

Possible Fallback Position:

- 500,000 .