

Issue Brief

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KEY POINTS

Medicare recommendations include:

- Premium support, allowing Medicare beneficiaries to choose from a range of coverage options
- Premium payments would be adjusted based on medical needs and income levels
- Combine parts A and B to modernize the fee-for-service benefit, creating a single deductible

Medicaid recommendations include:

- Increase federal spending by \$904 billion by 2025
- Repeal Medicaid expansion under the Affordable Care Act and grant more flexibility to states
- Unify Medicaid and The Children's Health Insurance Program into a single program

4712 Country Club Drive
Jefferson City, MO 65109

P.O. Box 60
Jefferson City, MO 65102

573/893-3700
www.mhanet.com



House Budget Committee Releases FY 2016 Budget Resolution –

Repeals ACA, Block Grants Medicaid and Changes Medicare

The House of Representatives Committee on the Budget has unveiled a proposed budget resolution for fiscal year 2016 that partly privatizes Medicare, turns Medicaid into block grants to the states, repeals the Affordable Care Act and balances the budget in 10 years. Material is available on the House Budget Committee website at: <http://budget.house.gov/>.

COMMENT

The proposed health and Medicare/Medicaid changes for the most part are not new. Most have been discussed before and have been rejected for one reason or another. While the Budget resolution would eliminate the ACA, it does not explain what happens to those Medicare monies that have already been removed from providers' reimbursements since the passage of the ACA. The concept of block grants of Medicaid has been discussed many times since President Reagan tried to adopt the idea in the 1980s. The proposal to privatize Medicare is another idea that has been argued in the past. The focus is to allow individuals — patients — to be in control of their health care requirements rather than the government. The underlying theory is that such a change will encourage competition, reduce cost and increase transparency. In sum, these items are being resurrected when they have been rejected for many reasons. There is little doubt that if Congress were to pass a budget bill that repeals the ACA and make other changes, the President would veto such a measure.

“STRENGTHENING HEALTH AND RETIREMENT SECURITY”

The following material is from the House Budget Committee's "Read the Plan" release accompanying the resolution regarding health and retirement.

“Enrollment in Medicare or Medicaid no longer guarantees access to the doctor or the treatment a beneficiary might need. The Medicaid program burdens States with one-size-fits-all directives from Washington that prevent them from innovating and better serving the unique needs of their communities. And, the Medicare program continues to head toward a cliff of insolvency that threatens the health care security of millions of America's seniors. Those who refuse to offer solutions to these foreseeable crises are complicit in them.”

“For all of these reasons, our budget presents a plan to save, strengthen, and secure Medicare for today's seniors and tomorrow's retirees. First and foremost, we put an end to the Obamacare raid of the Medicare Trust Fund. We provide future seniors with a premium support model that will enable beneficiaries to choose from a range of coverage options, including traditional fee-for-service Medicare. As before, our plan makes no changes to those in or near retirement.”

continued

“We give states the flexibility to tailor their Medicaid programs to most efficiently and effectively serve low-income families in their communities. The Obama Administration added millions of additional beneficiaries to a Medicaid program that is already ill-designed to support those who need it. State governors and legislatures know far better how to serve the needs of their neighbors. It is arrogant of Washington to continue to treat states as pass-through entities for a federal agenda.”

“None of the reforms proposed in this budget will be able to solve the underlying challenges in our health care system so long as Obamacare remains on the books. Our budget fully repeals Obamacare. This will save over \$2 trillion, end the Obamacare raid on Medicare and rescind all of the tax increases on job creators and health care innovation.”

Obamacare

- “This budget repeals Obamacare in its entirety – including all of the tax increases, regulations, subsidies, and mandates.”
- “We end the over \$700 billion Obamacare raid on Medicare and ensure Medicare savings go toward improving Medicare solvency, not to pay for a new entitlement.”
- “This budget repeals the Independent Payment Advisory Board, an unelected, unaccountable board of 15 bureaucrats charged with making coverage decisions on Medicare.”
- “The budget repeals Obamacare’s Medicaid expansion so the program is able to focus on its core mission of serving those in our communities most in need of assistance.”

Medicare

- “Under the current system, there is little sensitivity to market forces because the government, not the patient, is the customer. This open-ended fee-for-service model prevents patients from understanding the true cost of care and leaves providers with little incentive to generate efficiencies in the program.”
- “Building a premium support program in Medicare that will put more power in the hands of seniors and embrace the important role that patient choices and competition among insurance providers can have in controlling costs. The program would allow Medicare beneficiaries to choose from a range of guaranteed coverage options, including traditional Medicare, to find a plan that best fits their needs. Premium support payments would be paid by Medicare, directly to the plan chosen by the beneficiary.”
- “Payments would be adjusted so that those with illnesses would receive higher payments if their condition worsened; lower-income seniors would receive additional assistance to help cover out-of-pocket costs; and wealthier seniors would assume responsibility for a greater share of their premiums.”
- “Under our plan, the premium support model begins in 2024, consistent with previous House Republican budgets. That means there will be no changes for those in or near retirement.”
- “To further strengthen the program, our budget will also combine Parts A and B to modernize the fee-for-service benefit so that there is a single deductible for seniors. This includes a catastrophic cap on annual out-of-pocket expenses — an important

aspect of the private health insurance market to safeguard the sickest beneficiaries who are most in need of medical services, and which is currently absent from Medicare.”

- “Unlike the President’s budget, our budget reflects the cost of enacting a permanent reform to Medicare’s reimbursement formula and responsibly accounts for a repeal of the sustainable growth rate formula so that we ensure physician access and improve the quality of care for patients. Over the past decade, Congress has patched the SGR program with a “doc fix” seventeen separate times.”
- “The budget also embraces medical liability reform to curb frivolous lawsuits and the practice of defensive medicine. Patients have the right to fair representation and compensation when mistakes are made, but the current system serves the interests of trial lawyers — not patients — and drives up costs. This leads to reduced access to quality care for patients.”

MEDICARE COMMENT

Unfortunately, the legislative text to the budget proposal does not contain specific language to the above citations. Thus, one is not able to fully understand and judge the changes being proposed.

Medicaid

- “The law will increase federal spending on the program by \$904 billion by 2025. CBO estimates that in 2020, there will be 16 million new Medicaid beneficiaries in the program.”
- “Medicaid’s current structure provides states with a perverse incentive to expand the program and little incentive to save. For every dollar that a State government spends on Medicaid, the federal government pays an average of 57 cents

(and between 90 and 100 cents of every dollar for those who are newly eligible under Obamacare). Expanding Medicaid coverage during boom years is tempting for States because State governments pay less than half the cost. Conversely, there is little incentive to restrain Medicaid’s growth because state governments only get back 43 cents for every dollar worth of coverage they save.”

- “Our budget begins to fix the problem by repealing the Medicaid expansion under Obamacare and instead grants flexibility to States so the program can better serve those who it is intended to benefit.”
- “We achieve this goal through State Flexibility Funds that give states greater freedom to build the most effective programs for their communities. We empower state policymakers to tailor their Medicaid programs based on the unique challenges they face because governors and state legislatures know their populations better than Washington. These funds eliminate the misguided one-size-fits-all approach and allow states to better cut down on waste, fraud, and abuse.”
- “Under our proposal, Medicaid and the State Children’s Health Insurance Program would be unified into a single program. This budget also includes a reserve fund to provide for the extension of federal spending on SCHIP.”

FINAL COMMENT

The House proposal has a long way to go before becoming law. No doubt, there will be much debate about the proposed actions. Further, the various committees with specific jurisdiction over programs have to input their plans and objectives to meet the budget’s goal of balancing the federal budget in 10 years. We also need to wait and see detailed legislative text to fully comprehend all areas.
