

Health-Care Reform: Considerations for Seniors



The enactment of the new health-care reform legislation contains some provisions that directly affect our nation's older population. If you're a senior, you may be concerned about how these reforms may affect your access to health care and the benefits you are currently receiving.

Medicare spending cuts

Not surprisingly, the concerns of retirees and seniors generally center on potential cuts in Medicare benefits. At the outset, the new legislation does not affect Medicare's guaranteed benefits. However, a goal of the new health-care legislation is to slow the increasing cost of Medicare premiums paid by beneficiaries, and to ensure that Medicare will not run out of funds. To help achieve these goals, cuts in Medicare spending will occur over a ten-year period, beginning in 2011, particularly targeting Medicare Advantage programs—Medicare programs provided through private insurers but subsidized by the federal government. These cuts could reduce or eliminate some of the extra benefits Medicare Advantage plans may offer, such as dental or vision care, and some insurers may choose to increase premiums. But Medicare Advantage plans cannot reduce primary Medicare benefits, nor can they impose deductibles and co-payments that are greater than what is allowed under the traditional Medicare program for comparable benefits. And, some of the federal funds previously earmarked for Medicare will be reallocated to doctors and surgeons as an incentive to treat Medicare patients.

Medicare Part D drug program changes

Some Medicare Part D beneficiaries are surprised to find that they have to pay for the entire cost of prescription drugs out-of-pocket after reaching a gap in their annual coverage, referred to as the "donut hole." Currently, if you're a Medicare Part D beneficiary, you may pay up to an additional \$3,610, out-of-pocket, for medicines after reaching an initial threshold of \$2,830 in total prescription drug costs (including Part D payments, beneficiary co-pays, and deductibles). But, beginning in 2010, beneficiaries who fall in the donut hole will receive a \$250 rebate, and, in 2011, they will receive a 50% discount on brand-name drugs. By 2020, a combination of federal subsidies and a reduction in co-payments will completely eliminate the donut hole. However, individuals with annual incomes greater than \$85,000, and couples with incomes exceeding \$170,000, will see their Part D premiums increase as the federal subsidy offsetting some of the cost of Medicare Part D premiums is reduced.

Benefits added to Medicare

The legislation also improves some traditional Medicare benefits. For example, Medicare beneficiaries will receive free wellness and preventive care beginning in 2011.

Increased access to home-based care

Often, people with disabilities or illnesses would rather receive care at home instead of at a hospital or nursing home. The new health-care reform law provides for programs and incentives for greater access to in-home care. The Community Living Assistance Services and Support program (CLASS) will be established sometime after 2011 (depending on when final regulations are published) as a voluntary insurance program, financed through payroll deductions and available to all working adults who choose to participate. This national program allows participants with functional limitations to maintain their personal and financial independence and live in the community by providing a cash benefit of at least \$50 per day (after a five-year vesting period) for nonmedical services, such as home-care services, family caregiver support, and adult day-care or residential-care services. In order to qualify, a participant must need help with at least two activities of daily living, such as eating, toileting, transferring, bathing, dressing, or continence.

Also in 2011, the Community First Choice Option will be available to states to add to their Medicaid programs. This option will provide benefits to Medicaid-eligible individuals for community-based care instead of placement in a nursing home. In addition, the State Balancing Incentive Program, to be established in 2011, will provide increased federal funds to qualifying states that offer Medicaid benefits to disabled individuals seeking long-term care services at home, or in the community, instead of in a nursing home. The Independence at Home demonstration program, available in 2012, will be a test program that provides Medicare beneficiaries with chronic conditions the opportunity to receive primary care services at home. That is intended to reduce costs associated with emergency room visits and hospital readmissions, and generally improve the efficiency of care.

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