



## **Five Reasons Why HLC Supports the 2003 Medicare Reforms**

The Healthcare Leadership Council has held, as one of its long-standing principles, that Congress should enact a prescription drug benefit for the Medicare program as a component of broader reforms that would give beneficiaries broader access to medical innovations and the benefits of market competition and consumer choice. HLC actively supported The Medicare Prescription Drug, Improvement and Modernization Act of 2003 because it moves Medicare closer to becoming a health care delivery model that can increase health care quality while controlling long-term costs.

### ***Reason #1: Medicare Reform Increases the Quality of Care by Expanding Competition and Consumer Choice while Preserving Access to Providers***

- **Private health plans will receive fairer payments to encourage their participation in Medicare.** The 2003 reforms level the playing field in per-beneficiary spending between private plans and traditional fee-for-service Medicare.
- **An improved payment structure will enable plans to offer premiums more accurately tied to the cost of providing care.** This is an improvement from the current formula in which plans are paid a set amount based upon geographic location. This new flexibility will result in Medicare beneficiaries having more plan options.
- **The reform package includes fair and adequate payments to health care providers.** Most importantly for the future of the program, the new Medicare embraces a dynamic in which costs will be controlled through competition-driven efficiencies rather than arbitrary government-imposed provider cuts and cost controls. HLC has consistently held that reform will only be successful if the program is stabilized with fair payments to physicians, hospitals and plans.
- **The new prescription drug benefit will be privately-administered, not just an add-on to traditional Medicare.** This will give beneficiaries more choice and create competition among health plans.
- **Full Medicare competition will be tested.** In 2010, in six metropolitan areas, traditional Medicare will be required to submit plan premium bids in direct competition with private plans. This will be the first test of a unified payment system for Medicare and opens the possibility of a future in which private plans will be able to compete with fee-for-service Medicare on a level playing field, offering an unprecedented degree of choice to beneficiaries.

### ***Reason #2: Medicare Reform Brings Greater Health Quality and Innovation to All Beneficiaries Through New Program Investments.***

Beneficiaries in private Medicare plans will receive high-quality, cost-efficient care as a result of competition. The 2003 Medicare Act also enhances fee-for-service Medicare by covering a broader range of preventive and wellness services, including:

- **Chronic Care (Disease) Management.** Medicare fee-for-service will contract with chronic care managers to provide guidance to beneficiaries needing those services. Private plans have been offering these programs with impressive results.
- **New Preventive Services.** Under the 2003 act, fee-for-service Medicare will now cover an initial, voluntary physical when a beneficiary first becomes eligible for Medicare. Screening for diabetes and cardiovascular disease will also be covered.
- **Quality Reporting.** Hospitals are now offered a financial incentive to participate in a voluntary hospital quality data reporting initiative. The data collected through this initiative is intended to be used by patients and employers to help choose high-quality providers.
- **Expanded Medical Technology Innovation.** For too long, Medicare beneficiaries have been denied access to many new and effective medical innovations. The 2003 reforms set clear time frames for national coverage determinations, ensure adequate reimbursement for new inpatient medical technologies and establish a CMS Council for Technology and Innovation.

***Reason #3: Medicare Reform Lays Critical Groundwork for Greater Use of Health Information Technology.***

- **Health care information technology standards are part of the Medicare reform package.** Congress created a commission to develop a comprehensive strategy for the adoption and implementation of such standards.
- **The reforms advance electronic prescribing technologies** by developing standards to promote the use of electronic prescribing to reduce medical errors. The Act also makes grants available to assist providers in implementing electronic prescribing programs.

***Reason #4: The 2003 Reform Package Strengthens Medicare and Health Care Security for Future Generations.***

- **Medicare Part B premiums will be more closely tied to beneficiary income.** The premiums will increase on a sliding scale for those with annual incomes above \$80,000, thus helping to ensure trust fund stability through the challenging baby boomer retirement period.
- **Employers will have an incentive to continue offering retiree health coverage.** Employers will be offered payments equal to 28 percent of the cost of retiree drug coverage between \$250 and \$5,000. This will help stem the current trend that has seen an increasing number of employers eliminating retiree health care coverage.
- **Private insurance cost-containment tools will be used to administer the Medicare prescription drug program.** Tiered co-payments, formularies and medication counseling – approaches that have been effective in private sector health coverage – will be utilized in carrying out the new Medicare drug benefit.

***Reason #5: Americans Will Be Offered a New Alternative to Help Provide For Their Health Care Needs.***

The Medicare reform package takes the innovative step of creating tax-free Health Savings Accounts (HSAs) for personal medical expenses. This is an improvement over existing Medical Savings Accounts, in that the HSAs give consumers greater control over their health care expenditures. It is envisioned that many individuals and employers will use HSAs in combination with high-deductible health policies as a means of achieving effective health coverage.