



# RESPONSIBLE REFORM FOR THE MIDDLE CLASS

## Senate Health Insurance Reform Strengthens Medicare

Senate health insurance reform legislation reinvests in seniors. It does not reduce Medicare benefits for seniors and fights waste, fraud and abuse in the Medicare system. Senate health insurance reform refocuses Medicare on improving senior's health, not insurance companies' wealth.

*Reform improves Medicare benefits, reinvests in quality care for seniors*

**Health Insurance Reform Does Not Cut Medicare Benefits.** Reductions in Medicare spending included in health insurance reform will not cut Medicare benefits or negatively affect beneficiaries' health. In fact, the nonpartisan Congressional Budget Office (CBO) has cited research finding that "nearly 30 percent of Medicare's costs could be saved without negatively affecting health outcomes...and those estimates could probably be extrapolated to the health care system as whole." [CBO, [6/16/2008](#)] Health insurance reform will not reduce Medicare spending by nearly that much, assuring seniors that their Medicare benefits are safe. [Chairman's Mark, Senate Finance Committee, [9/16/2009](#)]

**Health Insurance Reform Gives Medicare Recipients at Least One Free, Yearly Check-Up.** Currently, Medicare only covers one physical exam or check-up, when beneficiaries enroll in the program. Senate health insurance reform changes this practice and gives every Medicare recipient at least one free yearly physical with a primary care provider. During that visit, Medicare beneficiaries would receive a personalized health improvement plan and information about Medicare covered and recommended preventive screenings. [Chairman's Mark, Senate Finance Committee, [9/16/2009](#)]

**Health Insurance Reform Reduces Drug Costs for Medicare Beneficiaries.** Beginning in 2010, in order to have their drugs covered under Medicare Part D, manufacturers must provide a 50 percent discount off the negotiated price for brand-name drugs when middle-income beneficiaries enter the coverage gap, also known as the donut hole. [Chairman's Mark, Senate Finance Committee, [9/16/2009](#)]

**Health Insurance Reform Makes Preventive Services Free.** Medicare beneficiaries will receive free preventive services recommended by the U.S. Preventive Services Task Force (USPSTF). Things like mammograms, vaccinations, and other preventive services and screenings recommended for seniors by the Task Force will be free of charge to Medicare beneficiaries. [Chairman's Mark, Senate Finance Committee, [9/16/2009](#)]

**Health Insurance Reform Creates Accountable Care Organizations.** Senate health insurance reform legislation encourages groups of health care providers, such as hospitals, primary care physicians, specialists and other providers, to take responsibility for all of their patient's care and their health. By better coordinating each individual's health care and health needs, seniors have better health outcomes and Medicare saves money, nearly \$5 billion over ten years, according to CBO. [CBO, [9/16/2009](#); Chairman's Mark, Senate Finance Committee, [9/16/2009](#)]

### **Health Insurance Reform Reduces Hospital-Acquired Infections, Readmissions.**

Seniors shouldn't get sick from going to the hospital to get well, and once they leave the hospital, they shouldn't have to go back because they weren't treated properly the first time. Senate health insurance reform legislation includes policies to reduce hospital-acquired infections and to reduce avoidable hospital readmissions for certain high-cost conditions. Not only is this the right thing to do, it saves money – CBO estimates these policies will together save \$3.3 billion over ten years. [CBO, [9/16/2009](#); Chairman's Mark, Senate Finance Committee, [9/16/2009](#)]

### *Reform stops lining the pockets of insurance companies profiting on seniors*

### **Health Insurance Reform Creates Competitive Bidding to Reduce Substantial Overpayments to Private Insurance Companies.**

The Medicare Payment Advisory Commission (MedPAC) found that in 2009, payments to private Medicare Advantage plans are 14 percent higher than the cost of insuring a beneficiary in traditional Medicare, an even greater payment disparity than 2008, when private insurers received a 13 percent overpayment. [MedPAC, [3/2009](#)] The Chief Actuary at the Centers for Medicare and Medicaid Services (CMS) found that these overpayments increase premiums for beneficiaries in traditional Medicare by more than \$86 per year for a couple. [Center on Budget and Policy Priorities, [9/14/2009](#)] In addition to overpayments, CMS reports that Medicare Advantage plans had an improper payment rate of 10.6 percent, or \$6.8 billion in 2006. [CMS, [11/17/2008](#)] Senate health insurance reform creates a competitive bidding structure for Medicare Advantage plans, ensuring that payments to private insurance companies reflect the actual cost of caring for seniors and saving billions of dollars. [Chairman's Mark, Senate Finance Committee, [9/16/2009](#)]

### *Reform aligns Medicare payments to reflect actual costs of care*

### **Senate Health Insurance Reform Saves Money by Reducing High Payments to Medicare Providers.**

Through small reductions in future payment increases to various Medicare providers, the Senate health insurance reform legislation will reduce Medicare spending by an estimated \$182 billion over ten years. [CBO, [9/16/2009](#)] The nonpartisan Congressional Budget Office (CBO) found that annual payment increases to Medicare providers have been too high, and “overstate actual increases in providers’ costs. For example, providers can increase their productivity by using fewer inputs or a less expensive mix of inputs to deliver care or by adopting new technologies.” [CBO, [12/2008](#)] The Senate health insurance reform legislation incorporates these productivity increases into future Medicare payment updates for various health care providers, making these payments more accurate and improving Medicare’s long-term fiscal situation. [Chairman's Mark, Senate Finance Committee, [9/16/2009](#)]

### ✓ **Experts Find Medicare Significantly Overpays Home Health Care Providers.**

In its March 2009 Report to Congress, MedPAC found, “Home health agencies (HHAs) continued to be paid by Medicare significantly more than cost, with margins of 16.6 percent in 2007.” [MedPAC, [3/2009](#)] The Commission recommended that these payments be “significantly reduced” in 2010 and then rebased and revised in 2011, “to ensure that Medicare does not continue to overpay home health providers.” Even with changes made in the two years since these data were gathered, MedPAC estimates home health margins will be 12.2 percent in 2009. Health insurance reform will save Medicare funds by ensuring more efficient provision of home health services to Medicare beneficiaries. [CBO, [9/16/2009](#); Chairman's Mark, Senate Finance Committee, [9/16/2009](#)]

- ✓ **Nursing Facilities Have Significant Medicare Profit Margins.** In its March 2009 Report to Congress, MedPAC found, “the aggregate Medicare margin for freestanding SNFs (Skilled Nursing Facilities) was 14.5 percent in 2007, making it the seventh consecutive year that the aggregate Medicare margin exceeded 10 percent. We project the aggregate margin for 2009 will be 12.6 percent.” [MedPAC, [3/2009](#)] Health insurance reform will save Medicare funds by ensuring more efficient provision of skilled nursing care to Medicare beneficiaries. [Chairman’s Mark, Senate Finance Committee, [9/16/2009](#)]
- ✓ **Inpatient Rehabilitation Facilities Have Significant Medicare Profit Margins.** Inpatient Rehabilitation Facilities (IRFs) are hospitals and rehabilitation units within hospitals that provide intensive inpatient rehabilitation services. In its March 2009 Report to Congress, MedPAC stated, “The IRF aggregate Medicare margin for 2007 is 11.7 percent.” [MedPAC, [3/2009](#)] Senate health insurance reform would make small reductions in future payment increases to IRFs, saving Medicare funds and improving health care efficiency. [Chairman’s Mark, Senate Finance Committee, [9/16/2009](#)]
- ✓ **Medicare Hospice Providers are Overwhelmingly For For-Profit Organizations.** In its March 2009 Report to Congress, MedPAC found that, of the rapid increase in Medicare hospice providers in recent years, “Nearly all this growth was in for-profit hospice, which grew nearly 12 percent annually over this period, while the number of non profit hospices remained flat.” [MedPAC, [3/2009](#)] Senate health insurance reform legislation would slightly reduce future payment increases to hospice providers, saving Medicare funds and improving health care efficiency. [Chairman’s Mark, Senate Finance Committee, [9/16/2009](#)]

### *Reform reduces waste, fraud to strengthen Medicare for seniors*

**Waste, Fraud Cost Seniors and Taxpayers Billions of Dollars Each Year.** Medicare’s improper payment rate for Fiscal Year 2008 was 3.6 percent, or about \$10.4 billion. [CMS, [11/17/2008](#)] The National Health Care Anti-Fraud Association estimates that three percent of all health care spending is lost to fraud – that would be about \$75 billion of the \$2.5 trillion CMS projects the nation will spend on health care this year. [National Health Care Anti-Fraud Association, accessed 9/22/2009; CMS accessed [9/21/2009](#)] The FBI reports fraudulent activity in both public and private health care programs ranges from three to ten percent. [FBI accessed [9/21/2009](#)]

**Health Insurance Reform Targets Waste, Fraud, Abuse.** Senate health insurance reform will combat wasteful and fraudulent activity in health care by giving federal health programs and law enforcement the tools they need to stay ahead of those who seek to defraud seniors and taxpayers. Health insurance reform will require the Medicare program to screen all health providers who seek to bill Medicare to ensure that only those providers who actually treat seniors receive Medicare payment. Reform will expand data sharing across more federal agencies to ensure that those suspected of fraudulent activity in other areas can’t continue to bilk Medicare. And Senate health insurance reform will increase penalties for those who commit fraud. [Chairman’s Mark, Senate Finance Committee, [9/16/2009](#)]

### *Republicans have consistently been wrong on Medicare*

**Republicans Have Flawed Ideas, Priorities on Helping America’s Seniors.** From the beginning – and consistently since that time - Republicans have gotten it wrong on seniors. When the Medicare legislation passed in July 1965, the majority of Republican senators DID NOT vote for the final conference report. [Social Security Administration, accessed [9/16/2009](#)]

**Republicans Have Voted Against Protecting, Strengthening Medicare Nearly 60 Times in the Past Ten Years.**

In the past decade, Congress has taken serious steps to improve and strengthen Medicare for America's seniors and Senate Republicans have stood in the way. In the past decade alone, Senate Republicans refused to support protecting, strengthening and enhancing Medicare for America's seniors, voting against measures that achieved those goals at least fifty-nine times. [Senate Roll Call [Votes](#), Congressional Record, 2008: S.V. 169, S.V. 160, S.V. 149; 2007: S.V. 132; 2006: S.V. 71, S.V. 50, S.V. 49, S.V. 5; 2005: S.V. 342, S.V. 302, S.V. 297, S.V. 294, S.V. 287, S.V. 60; 2003: S.V. 259, S.V. 258, S.V. 257, S.V. 254, S.V. 253, S.V. 251, S.V. 250, S.V. 249, S.V. 246, S.V. 245, S.V. 244, S.V. 242, S.V. 241, S.V. 240, S.V. 239, S.V. 236, S.V. 234, S.V. 233, S.V. 232, S.V. 230, S.V. 229, S.V. 227, S.V. 173, S.V. 82, S.V. 63, S.V. 21; 2002: S.V. 199, S.V. 186; 2001: S.V. 137, S.V. 122, S.V. 117, S.V. 66; 2000: S.V. 206, S.V. 195, S.V. 186, S.V. 162, S.V. 144, S.V. 65, S.V. 53; 1999: S.V. 229, S.V. 79, S.V. 76, S.V. 66, S.V. 59]

**Republicans Wanted to Privatize Medicare and Social Security.** Republicans have consistently wanted to move seniors into the private markets. In fact, earlier this year, House Republicans proposed an alternative budget that “would eventually end the Medicare program as it is presently known.” [AP, [4/1/2009](#)] If we had listened to Republicans, American seniors would have seen their lifetime savings nearly disappear. As the Wall Street Journal notes: “The wealth of American families plunged nearly 18% in 2008, erasing years of sharp gains on housing and stocks and marking the biggest loss since the Federal Reserve began keeping track after World War II. The Fed said Thursday that U.S. households' net worth tumbled by \$11 trillion – a decline in a single year that equals the combined annual output of Germany, Japan and the U.K. The data signal the end of an epoch defined by first and second homes, rising retirement funds and ever-fatter portfolios.” [Wall Street Journal, [3/13/2009](#)]