



National Health Care Reform and What It Means for Medicare

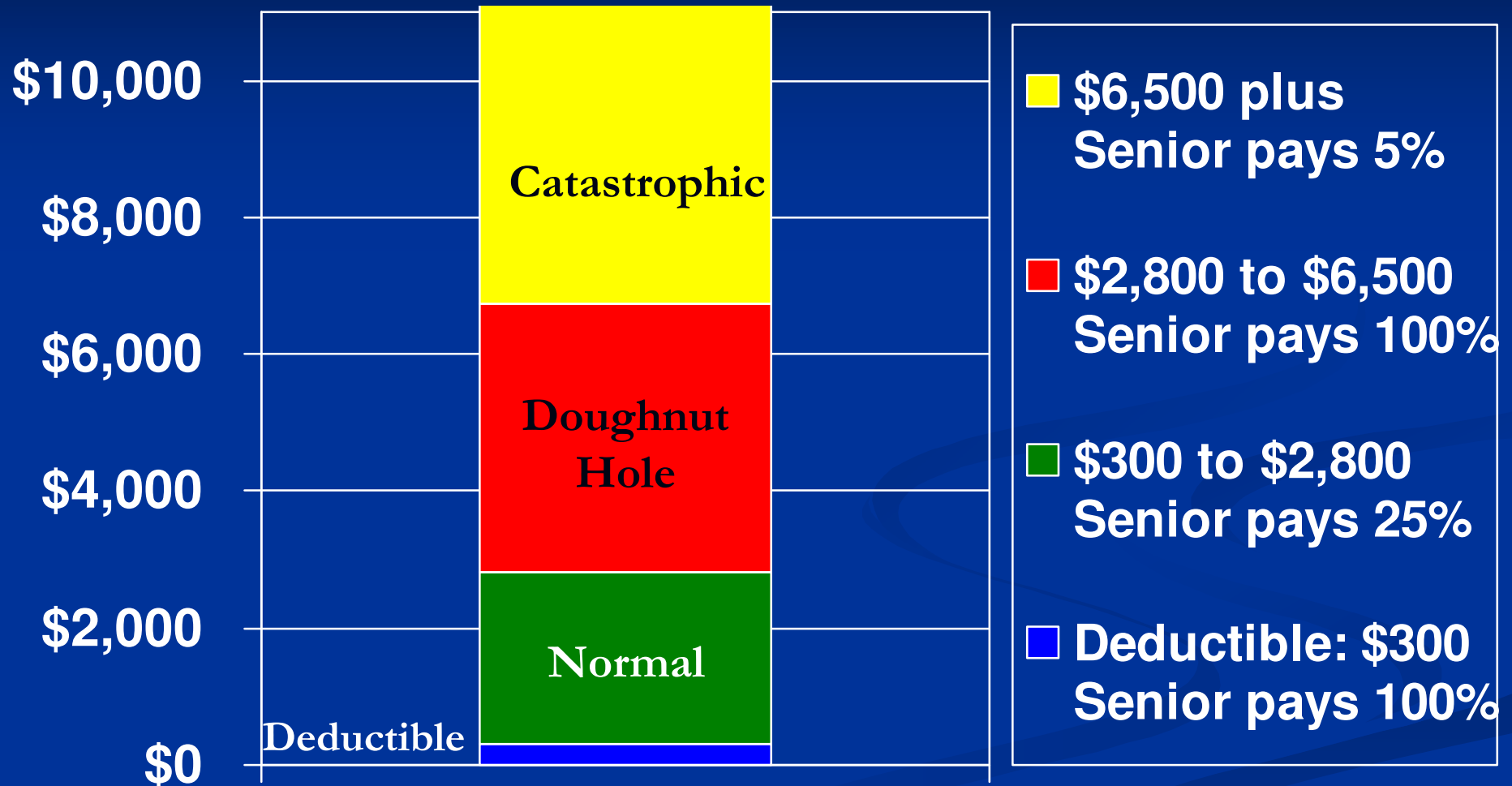
Major Changes in Medicare

- Closes “doughnut hole” in prescription drug coverage by 2020.
- Annual wellness visit added where a personalized prevention plan is developed, including a health risk assessment and a cancer screening schedule for the next 5 years. There can be no deductible or copayment for the wellness visit.
- Removes deductibles and copayments for proven, effective prevention and screening services.
- Ineffective screens may be removed from coverage.

Major Changes in Medicare Continued

- Increased payments to primary care providers and general surgeons
- Reduced payments to hospitals and other providers
- Reduced payment to Medicare Advantage companies
- Payment reform
- Innovation Center at Medicare

What Is the Doughnut Hole?



Source: AARP Public Policy Institute,
Health Care Reform Legislation Closes the Medicare Part D Coverage Gap (April 2010)

How Is the Doughnut Hole Fixed?

- In 2010, a \$250 one-time payment for people who reach the doughnut hole.
- Beginning in 2011, drug makers pay 50% of the cost of brand name drugs.
- Beginning in 2013, the federal government pays 2 1/2% of the cost of brand name drugs. This grows to 25% by 2020.
- In 2020, seniors pay 25% and drug makers and government pays 75% for brand name drugs

How Is the Doughnut Hole Fixed?

- Beginning in 2011, the government pays 7% of the cost for generic drugs.
- This contribution is increased by an additional 7% each year until 2020, when the government pays 75% of the cost of generic drugs and seniors pay 25%.

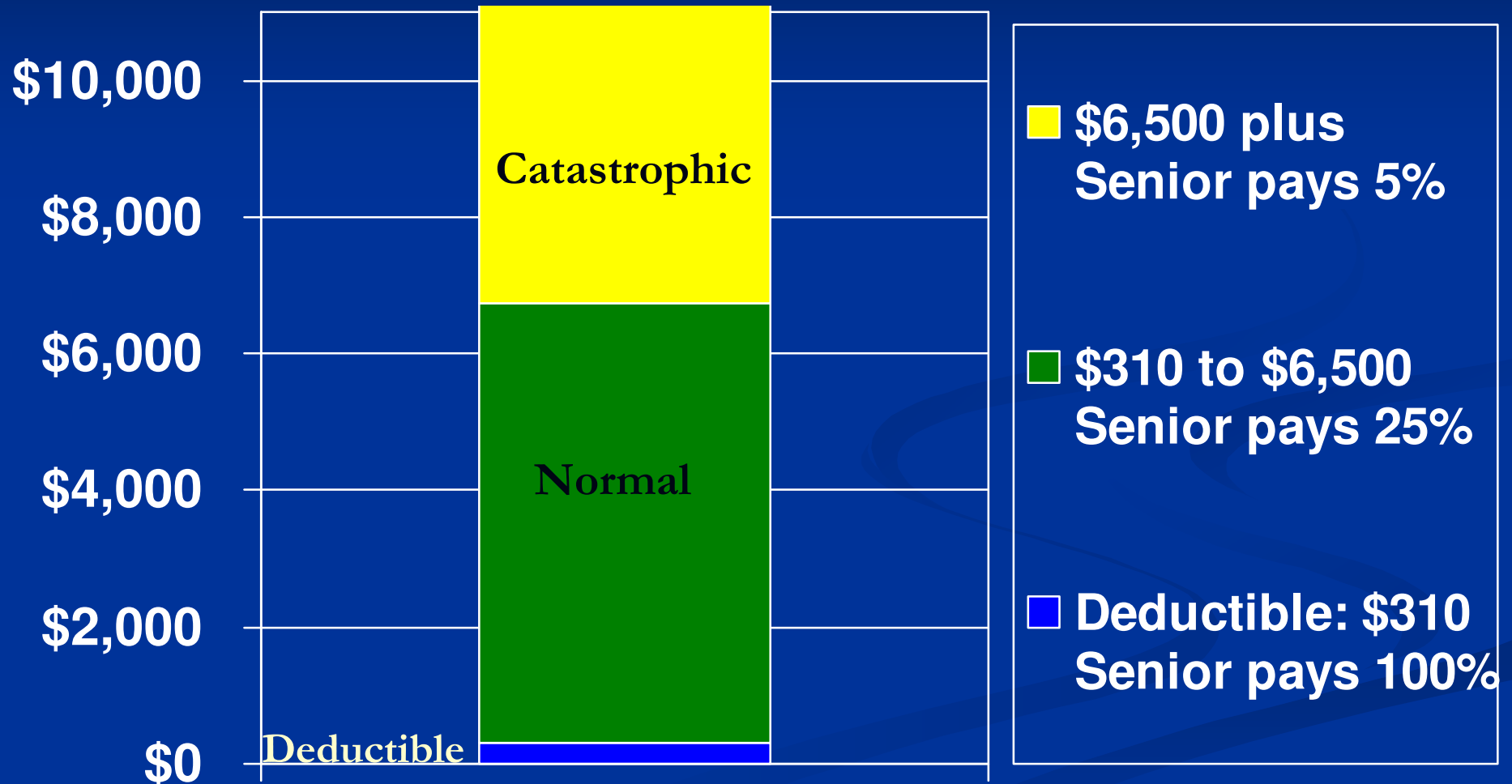
Example for Brand Name Drugs

Year	Drug Makers Pay	Government Pays	Seniors Pay
2010	0	\$250	All but \$250
2011	50%	0	50%
2013	50%	2 1/2%	47 1/2%
2015	50%	5%	45%
2017	50%	10%	40%
2018	50%	15%	35%
2020	50%	25%	25%

Example for Generic Drugs

Year	Government Pays	Senior Pays
2010	\$250	All but \$250
2011	7%	93%
2015	35%	65%
2020	75%	25%

What Prescription Drug Benefits Look Like in 2020



Payment Reform

- “The current (payment) system, based on volume and intensity, does not disincentivize, but rather **pays more for overuse and fragmentation.**”

Mark McClellan, former Bush official

Payment Reform

- Paying on quality, not just quantity.
- Reduced payments for hospitals with high infection rates
- Reduced payment for hospitals with high readmission rates
- Innovation Center created at Medicare

Reduction in the Growth in Medicare

Payment to Medicare Advantage reduced to traditional Medicare FFS payments	\$136 Billion
Revision to annual updates for hospitals, etc.	\$157 Billion
Revision to annual updates for home health	\$40 Billion
Drug company discount for doughnut hole	\$43 Billion
Independent Payment Advisory Board	\$16 Billion
Total (including other items not listed)	\$533 Billion

Reductions in the Growth in Medicare

- These reductions reduce the annual growth in Medicare from 6.6% to 5.4%, according to the Commonwealth Fund.

Commonwealth Fund: How Health Reform Legislation Will Affect Medicare Beneficiaries, March 2010

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