Affordable Care Act Strengthens Medicare By Fighting Waste and Eliminating Overpayments to Private Insurance Companies, Saving $500 Billion Over the Next Decade

Democrats are committed to strengthening Medicare, improving the health of seniors and the quality of the care they receive, and lowering costs. *That's why the Affordable Care Act (ACA) takes historic steps in each of these areas. The Act reforms provider payments – rewards quality and efficiency; invests in patient safety – lowers hospital readmissions; and cracks down on fraud and abuse in the Medicare system. By reducing waste and curbing overpayments to insurance companies, ACA will save Medicare $500 billion over the next 10 years. Estimates indicate that the new benefits and services provided to seniors by the Affordable Care Act will save the typical senior over $3,500 over the next decade, while reducing the deficit by $210 billion this decade and more than a trillion dollars in the next.*

Absent Democratic Investments To Strengthen Medicare, Medicare Insolvency Would Occur In 2016. The Medicare Trustees projected an increase in program solvency from 2016 to 2024, attributable primarily to the Affordable Care Act. This extension of the program's financial health was the largest increase ever made by the Trustees. Absent ACA, Medicare would be unable to pay full claims in 2016, just five years from now. [Medicare Trustees Report, 5/13/11]

ACA Investments Strengthening Medicare Will Save Seniors and Taxpayers $500 Billion Over the Next Decade Without Touching Benefits. Democratic investments in Medicare extended solvency primarily by eliminating overpayments to private plans, improving provider payment accuracy, encouraging better coordination of care to weed out duplication of tests and improve outcomes, and empowering CMS with new tools to fight health care fraud. Medicare's costs are projected to be about 25 percent lower over the next 75 years due to the new law.

1. **Reforming provider payments -- rewarding quality of care ($224.6 billion in savings through 2019)**: ACA ensures that provider payments are tied to quality of care for seniors. Rewarding quality, rather than quality, will save money, improve efficiency in care delivery, and lay the groundwork for a long-term transformation of our health care system.

2. **Reducing excessive Medicare payments to private insurance companies ($205.9 billion in savings through 2019);** ACA eliminates the practice of paying substantially more to private insurers that contract with Medicare, than it would cost Medicare to cover those individuals in traditional Medicare. Prior to enactment of ACA, Medicare Advantage plans were paid about 14 percent more per patient than in traditional Medicare. ACA levels the playing field by gradually eliminating those excess payments. [CMS, 5/14/11]

a. **Despite scare tactics and false claims that eliminating waste would impair access to MA, costs for seniors enrolled in these plans are lower this year and enrollment has increased.** [Senate Committee on Finance, 9/21/10]

b. **Republican Senators support competitive bidding of Medicare Advantage.** Eight Republican Senators have cosponsored legislation that includes a competitive bidding program for Medicare Advantage. Senators Alexander, Bunning, Burr, Chambliss, Graham, Inhofe, and Isakson are cosponsors of Senator Coburn's *Patients' Choice Act* (S. 1099).

c. **Republican Senators abandoned their free market ideology to keep subsidies flowing to the private insurance industry.** On almost every issue, Republicans demonstrate a strong adherence to free market ideology. When speaking of health insurance reform, Republican Senators have argued that we just need to "get out of the way and allow the market to work" and that what we "need to do is unleash the marketplace that you've got." That's exactly what the ACA does for the Medicare Advantage program. [Congressional Record, 7/20/2009; *The News and Observer*, 8/28/2009]

3. **Improving patient safety -- lowering hospital readmissions and hospital-acquired conditions ($7.1 billion savings through 2019);** Seniors shouldn't have to go back to the hospital because they weren't treated properly the first time. By linking payments between hospitals and other health care facilities, ACA will promote coordinated care after discharge from the hospital and also encourage investments in hospital discharge planning and transitional care to ensure that avoidable readmissions are prevented.

    a. **ACA will dramatically reduce hospital readmissions and hospital-acquired conditions.** CMS aims to reduce preventable hospital-acquired conditions by 40 percent over the next three years, preventing 1.8 million injuries and averting 60,000 deaths of hospital inpatients over the next three years. CMS also aims for a 20 percent reduction in hospital readmissions, which would result in eliminating 1.6 million unnecessary re-hospitalizations. [CMS, 5/14/11]

4. **Cracking down on waste, fraud and abuse in the Medicare system ($6 billion through 2019);** Reducing waste, fraud and abuse in Medicare will save taxpayer dollars. The Office of Management and Budget estimates that every $1 invested to fight fraud results in approximately $17 in savings to beneficiaries and taxpayers who fund the program. ACA includes many new and powerful tools to fight fraud and abuse in Medicare. [OIG, 4/21/09]

5. **Improving coordination of care between doctors, hospitals, and patients ($4.9 billion savings through 2019);** ACA encourages groups of providers to work together to improve the quality of care they deliver to Medicare beneficiaries. Not only is this the right thing to do, it saves Medicare money, and providers would be able to keep a portion of the savings they achieve for the Medicare program.

6. **Independent Payment Advisory Board (IPAB) ($2.4 billion savings through 2021);** IPAB will recommend policies to Congress to help Medicare provide better care at lower costs. This will include ideas on coordinating care, getting rid of waste in the system, incentivizing best practices, and prioritizing quality care. IPAB is specifically prohibited by law from recommending any policies that ration care, raise taxes, increase premiums or cost-sharing, restrict benefits, or modify who is eligible for Medicare.

    a. **IPAB is a failsafe to the ACA's policies to contain costs**. ACA included historic delivery system reforms and reductions in wasteful Medicare payments. These policies will work to slow Medicare spending per beneficiary, so that IPAB will not make binding recommendations for the foreseeable future.

b. **IPAB takes Medicare back from lobbyists and special interests**. For too long, special interests have had too much influence on Medicare policy, putting the program on the brink of insolvency and patient care in jeopardy. With IPAB, Congress retains the ultimate prerogative to make Medicare payment and coverage decisions but gives experts independent of lobbyists and special interest an opportunity to make recommendations and slow Medicare cost growth per beneficiary if Congress fails to do so.

c. **IPAB must be preserved but improvements are possible**. Like ACA, IPAB is not perfect and can be improved. We are willing to consider thoughtful proposals to improve IPAB that are consistent with the goal of improving quality and securing Medicare's financial future.

7. <u>**Savings from changes to Medicare premiums ($35.7 billion in savings through 2019):**</u> In order to improve Medicare's finances and extend solvency for all seniors, ACA makes modest adjustments to Part B and D premiums for people with the highest incomes, estimated to be 2.2% of all elderly households.

<u>**Health Policy Experts and Republicans Agree That ACA Extends Solvency, Improves Quality of Care, And Reduces the Deficit Without Impacting Senior Benefits.**</u>

- **AARP: "Basic Benefits Will Not Be Cut."** In their guide, "What Health Care Reform Will Mean to You," AARP wrote, "The government has guaranteed that basic benefits will not be cut. Next year, all Medicare preventive services, such as screenings for colon, prostate and breast cancer, will be free. Annual wellness visits will also be free starting in 2011." [AARP, 3/25/10]

- **Center for Medicare Advocacy, Inc: "Health care reform does not reduce Medicare benefits."** "The *Affordable Care Act* slows the growth in future Medicare spending by reducing overpayments to private Medicare Advantage plans, by restructuring up-dates in payments to many providers, and by tying payments to improved quality of care. Health care reform does not reduce Medicare benefits. [Center for Medicare Advocacy, Inc. 10/10]

- **Factcheck.org: Senators Didn't Vote for Cuts in Medicare Benefits.** "An ad attacking California's Sen. Barbara Boxer claims that she voted to 'cut spending on Medicare benefits' by $500 billion. But Boxer <u>didn't vote for cuts in benefits</u>. Rather, as we note above, the law puts restraints on the growth of future spending, mostly payments to hospitals and other providers. And that won't necessarily lead to cuts in benefits, except for Medicare Advantage plans." [Factcheck.org, 8/30/10]

- **Reuters: "There Are No Cuts To The Traditional Medicare Benefit."** "There are no cuts to the traditional Medicare benefit. The lion's share of spending cuts are in Medicare Advantage -- a program that uses private firms such as Humana and UnitedHealth Group to deliver Medicare benefits. Many of these providers offer extra coverage and some of those extras could be dropped as Medicare Advantage subsidies are bought more in line with the cost of traditional Medicare benefits." [Reuters, 3/22/10]

- **Factcheck.org: "Guaranteed Medicare benefits can't be reduced."** "Claims that these cuts will 'hurt the quality of our care' — like the one below from the 60 Plus Association — ignore the fact that the law adds some benefits to Medicare, such as free preventive care and more prescription drug coverage. And the law (section 3601) says that guaranteed Medicare benefits can't be reduced." [Fact Check, 10/10]

- **Sen. Roberts (R-KS) Admitted That "It Is Technically Accurate" for Democrats to Claim That "This Bill Doesn't Cut Medicare Benefits," But Claimed Providers Would Not Be Able To Survive Cuts.** On the Senate floor, Sen. Roberts said: "I keep hearing my colleagues, however, on the other side of the aisle insisting that they're half trillion dollar cut to all Medicare – here's the quote –

'won't affect the benefits.' Please stop that. That is the most disingenuous smoke screen in this whole debate. It may be true. It may be true that this bill does not explicitly cut benefits…I want every senior to know that while maybe it is technically accurate again for my friends across the aisle to claim that this bill doesn't cut Medicare benefits there is no way – no way that you can slash a half a trillion dollars from payments to providers without affecting their ability to keep their door open. Especially in rural and small-town America…So, yes, in fact, this bill will effectively cut benefits. Again, get rid of the smoke screen. And this just doesn't apply to the home health care benefit." [Roberts Floor Speech, 12/4/09]

Republicans Liked These Policy Changes Democrats Made to Strengthen Medicare So Much That They Adopted Them in Their Own Budget: Although they repeal *most* of the health reform law, including the pieces that lower health care and prescription drug costs for seniors and middle-class families, Republicans actually maintain $480 billion in savings resulting directly from health reform provisions. [Path to Prosperity, 4/11/11; CBO, 4/11]

Republicans "Essentially End Medicare" and Double Health Care Costs for Seniors. The Republican plan will end Medicare as we know it, end guaranteed benefits and double annual costs for seniors by 2022 from roughly $6,200 to $12,500, while providing a windfall of trillions for the health insurance industry. The Republican budget increases health care spending by $34 trillion in the next 75 years over the current system. [WSJ, 4/4/11; CBPP, 4/8/11; CEPR, 4/27/11]