

## Medicare Benefits and Changes

### ***Closes the Doughnut Hole by 2020***

An estimated 3.4 million seniors who are on the Medicare Part D prescription drug program fall into the doughnut hole every year. While in the doughnut hole, seniors must pay 100% of their prescription drug costs. The new health care law provides seniors who fall in the doughnut hole a \$250 rebate in 2010. In 2011, seniors who fall in the doughnut hole will receive a 50 percent discount for *brand name drugs*. Beginning in 2013, the government will begin providing subsidies for brand-name drugs bought by seniors who hit the coverage gap. This subsidy will start off small, at 2.5 percent, but will increase to 25 percent by 2020. Beginning in 2011, government subsidies will cover 7 percent of *generic drug* costs. The government will pick up additional portions each year until 2020, when federal dollars will cover 75 percent of generic drug costs. By 2020, once Medicare beneficiaries meet their deductible, they will be responsible for paying 25% of the cost of drugs, while the government and pharmaceutical discounts will account for 75% of the costs.

### ***Preventive Services and Improved Care***

- In 2011, seniors in Medicare will receive free annual check-ups. In addition, the law eliminates co-payments and deductibles for mammograms, colonoscopies and other preventive screenings. Medicare already covers a number of preventive services, but they are not exempt from cost sharing. The Centers for Medicare and Medicaid Services is currently reviewing those preventive services and will be making the rules to implement this section of the law and determine what services will be covered. To view what screenings *may* be covered by the new health law, please visit: <http://bit.ly/aiOTnS>.
- Patient care under Medicare will improve as pilot programs to improve efficiencies are implemented. Doctors and hospitals are encouraged to coordinate care through payment incentives. For the first time, Medicare will reward quality, not quantity; thus, bonus payments will be given to those doctors and hospitals that provide good quality care.
- Currently, Medicare Advantage (MA) plans are paid on average 14% more than traditional Medicare; thus Medicare pays these plans over \$1000 more per person than traditional Medicare. This overpayment also raises Part B premiums for seniors and the disabled; including those not MA plans, by \$90 per couple a year. The new health care law phases out the overpayment to Medicare Advantage (MA) plans over a seven-year period; however, high quality plans will receive bonuses. Also, MA plans will no longer be able to charge higher co-payments than traditional Medicare. Beginning in 2014, MA plans must spend 85% of beneficiary premiums on patient care, rather than profit and overhead. The reduction in overpayments will help extend the solvency of the Medicare Trust Fund by 9 years.

[April 2010]