

## *Government Task Forces Issue Medicare Spending Recommendations*

With mounting national debt a chief concern among both Democrats and Republicans in Washington, two separate advisory panels have been created – the *National Commission on Fiscal Responsibility and Reform* and the *Debt Reduction Task Force*, to address financing Medicare, Medicaid and SCHIP programs.<sup>1</sup>

The Debt Reduction Task Force (Task Force), created by the Bipartisan Policy Center on January 25, 2010, is led by former Republican Senator Pete Domenici and former Clinton administration budget director Alice Rivlin.<sup>2</sup> In its November 2010 report entitled “*Restoring America’s Future*,” the Task Force made several recommendations regarding Medicare spending; including the institution of a gradual increase over the next five years in beneficiaries’ responsibility for Medicare Part B premiums, from the current 25 percent share to 35 percent of total program costs.<sup>3</sup> This shift in responsibility for premium payments is likely to have a significant impact on the federal budget given the increased number of Medicare beneficiaries expected to enroll in the future.<sup>4</sup>

The Task Force additionally recommended changing the traditional Medicare payment structure to a “*premium support*” program beginning in 2018.<sup>5</sup> This program would require beneficiaries in the traditional Medicare fee-for-service program to pay an additional premium if the federal cost per enrollee rises faster than the Gross Domestic Product (GDP) plus one percent.<sup>6</sup> By changing the infrastructure of the current Medicare program to a premium support program, beneficiaries would likely pay more to stay in the traditional fee-for-service Medicare.<sup>7</sup> Task Force Co-chair Rivlin hails the “*premium support*” program as a “*feasible way of controlling costs*,” however critics claim it shifts an excessively burdensome amount of cost and payment responsibility to individuals.<sup>8</sup>

Other proposed changes by the Task Force included expanding Medicare and Medicaid managed care programs, and reforming the Federal-State Medicaid cost-sharing arrangement by establishing Federal and State sponsored Medicaid programs and phasing out the tax exclusion on employer-provided healthcare benefits by 2028.<sup>9,10</sup>

In a similar effort to address escalating national healthcare costs, President Obama signed an Executive Order creating the *National Commission on Fiscal*

*Responsibility and Reform* (the Commission) on February 18, 2010.<sup>11</sup> On December 1, 2010, the Commission released a report entitled “*The Moment of Truth*,” which outlined a six-part plan to address the federal deficit, including several changes to the current model of healthcare financing.<sup>12</sup> The proposed healthcare savings initiatives include reforming the Medicare Sustainable Growth Rate (SGR) and increasing efforts aimed at identifying Medicare fraud and abuse violations.<sup>13</sup>

The Commission recommended freezing physician payment reductions scheduled under the current formula through 2013, and then decreasing physician payments by one percent in 2014.<sup>14</sup> The Commission further recommended that the Centers for Medicare and Medicaid Services (CMS) develop a physician payment formula that rewards coordination of care across multiple providers and settings, and bases physician payments on the quality, rather than quantity, of services rendered.<sup>15</sup> Additionally, the Commission proposed changes to Medicare cost-sharing rules by replacing the current structure with; a single combined annual deductible of \$550 for Medicare Parts A and B; a 20 percent uniform coinsurance on health spending above the deductible; a reduction of coinsurance to five percent after costs exceed \$5,500; and, a cap on total cost sharing at \$7,500.<sup>16</sup> This proposal would also: expand the Medicaid drug rebate to dual eligibles in Medicare Part D; place Medicaid dual eligibles in Medicaid managed care programs; and, reduce funding for Medicaid administrative costs.<sup>17</sup>

Whether, and to what extent, the Task Force’s recommendations will be heard and implemented by Congress has yet to be seen. However, on December 3, 2010, the Commission failed to meet the 14 votes needed to send their recommendations to Congress.<sup>18</sup> Whether the Commission’s recommendations will be implemented now depends on President Obama’s decision whether to incorporate them into his federal budget blueprint for 2011. These and other plans to reduce federal healthcare spending will be further developed and debated as reform efforts initiated in the coming months and years continue to evolve.

<sup>1</sup> “The Moment of Truth,” The National Commission on Fiscal Responsibility and Reform, December 2010, [http://www.fiscalcommission.gov/sites/fiscalcommission.gov/files/documents/TheMomentofTruth12\\_1\\_2010.pdf](http://www.fiscalcommission.gov/sites/fiscalcommission.gov/files/documents/TheMomentofTruth12_1_2010.pdf) (Accessed

12/29/2010) p. 36; “Restoring America’s Future: Reviving the Economy, Cutting Spending and Debt, and Creating a Simple, Pro-Growth Tax System,” The Debt Reduction Task Force, November 2010, <http://bipartisanpolicy.org/sites/default/files/FINAL%20DRTF%20REPORT%2011.16.10.pdf> (Accessed 1/21/2011) p. 46.

2 “New Deficit Report Recommends Seniors Pay More For Medicare,” By Phil Galewitz and Jordan Rau, Kaiser Health News, November 17, 2010, <http://www.kaiserhealthnews.org/Stories/2010/November/16/bipartisan-policy-center-medicare.aspx> (Accessed 11/17/2010).

3 “Restoring America’s Future: Reviving the Economy, Cutting Spending and Debt, and Creating a Simple, Pro-Growth Tax System,” The Debt Reduction Task Force, November 2010, <http://bipartisanpolicy.org/sites/default/files/FINAL%20DRTF%20REPORT%2011.16.10.pdf> (Accessed 1/21/2011) p. 17.

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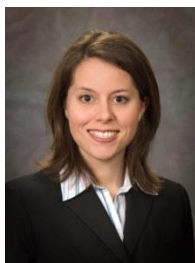
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