REP. HERGER: *The Save and Strengthen Medicare Act* - Major Provisions

Provision	Summary
Unified Deductible, Uniform Coinsurance Rate, and Out-of-Pocket Spending Limit	Starting in 2016, creates unified annual deductible of $550 (indexed to Medicare costs), a uniform coinsurance rate of 20 percent on services above the deductible, and a firm cap on out-of-pocket liabilities (indexed to CPI) for Part A, B & D deductibles and coinsurance costs
Transition to a Competitive Bidding System	Establishes nationwide competitive bidding system starting in 2016. Plans, including FFS, would submit bids in 26 MA regions. Plans are permitted to submit county-by-county bids but would be required to provide service throughout region. Plans providing basic benefit must be actuarially equivalent to FFS. For first 5 years (2016-2020), benchmark is equal to average of lowest and third lowest bids, with weight increasingly given to minimum bid during transition period. Starting in 2021, benchmark is based on minimum bid. The annual growth in the benchmark is determined by the market (that is, the annual bidding process). New Medicare Choices Commission would oversee competition and private plans.
Premium Support	The per-beneficiary government contribution would be set at 88% of the benchmark. Beneficiaries who enroll in plans with bids above the benchmark would be required to pay the difference in higher premiums. Annual premium increases would be capped at 20% for current FFS beneficiaries who choose to remain in the FFS program
Replaces Supplemental Coverage with Tiered Benefits	For beneficiaries entering Medicare starting in 2016, Medigap coverage would be replaced with new tiered benefit structure. In basic tier, which would serve as the basis for the government contribution, coverage levels would be actuarially equivalent to the standard FFS benefit. Plans in Tier 2 would cover 85% of average beneficiary expenses, and plans in Tier 3 would cover 95%. Enrollees in plans with more generous coverage than standard Medicare would pay higher premium
Excise Tax on Certain Employer-based Supplemental Plans	Starting in 2016, imposes a 15 percent excise tax on employer plans that provide first-dollar coverage for retirees who are enrolled in Medicare. Employers could continue to offer other kinds of retiree health benefits, including services (such as dental or long-term care) that are not covered by FFS Medicare, or through cash contributions to a retiree's Flexible Spending Account, Health Savings Account, or Health IRA
Preferred Medicare Age	Establishes a Preferred Medicare Age of 67, gradually implemented between 2016 and 2025. Seniors could continue to join Medicare at age 65, but would pay a higher premium share so that their lifetime benefit would be actuarially equivalent. Starting in 2026, the preferred age is indexed to life expectancy so as to establish the principle that seniors on average live a constant 18 years in retirement
Incentives to Delay Retirement	Starting in 2016, cuts in half Medicare payroll tax (employee and employer) for workers aged 65 to 67 and eliminates the tax for workers 68 and older
Reduces Government Contribution for Higher-Income Seniors and Temporarily Freezes Premium Brackets	Starting in 2016, reduces the government contribution for higher-income seniors and replaces premium brackets with a sliding scale under which the beneficiary's premium share for the combined Medicare benefit (Part A and Part B) would gradually (and in a linear manner) rise from 12% to 50%. The brackets for Part D premiums are conformed to the A/B brackets, but the existing premium percentages under Part D are maintained. **(See chart on next page.)** The brackets for both A/B and D are frozen in place until income-related premiums reach individuals or couples at 150% FPL

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Provision	Summary
"Buy-Up" for Low-Income Seniors	Starting in 2016, provides enhanced benefits to low-income seniors based on federal poverty level. For seniors at 120-135% of FPL, government contribution would cover entire premium for basic Medicare benefit. For 100-120%, government contribution would cover entire premium for lowest bid in Tier 2 plan. For seniors below 100% of FPL, government contribution would cover entire premium for lowest bid in Tier 3 plan
Coordinates Benefits for Dual Eligibles	Starting in 2016, automatically enrolls dual eligibles in Tier 3 managed care plans (with an opt out). In place of Medicaid's current role in covering cost-sharing for these individuals, the Act would allow states to choose from a menu of options for contributing to their care
Health Individual Retirement Accounts	Starting in 2016, establishes Health Individual Retirement Accounts. 2 percent of pre-tax earnings (up to an annual maximum of $2,500 for singles and $5,000 for couples, adjusted for inflation) would be deposited into a personal account that cannot be accessed until retirement. Workers could choose to opt out if they do not want to participate, or choose to devote a different percentage of income toward their HIRA. The tax-favored treatment applies only to contributions up to the annual maximum
Improvements to Health Savings Accounts	Starting in 2016, permits a taxpayer to continue making contributions to an HSA after age 65 if enrolled in a Medicare or other health plan that meets the requirements for a high-deductible plan
Tax Incentives for Lower-Income Workers to Make HIRA Contributions	Starting in 2016, makes HIRA contributions eligible for the saver's tax credit under Section 25B of the Internal Revenue Code. The credit for HIRA contributions would be refundable up to the amount of a qualified taxpayer's Medicare payroll tax liability
Repeals Independent Payment Advisory Board	IPAB would be repealed effective immediately
Repeals Medicare Productivity Adjustments after 2020	Repeals annual productivity adjustments created in PPACA once the competitive bidding system is fully phased in
Reforms Graduate Medical Education and Disproportionate Share Hospital Payments	Starting in FY 2015, converts GME and DSH into grant programs overseen by CMS. Funding for the GME grant program would be equal to current Medicare and Medicaid GME payments, except that the IME adjustment would be reduced by one percentage point
Preserves Medicare Beneficiaries' Access to Physicians	Freezes physician payment rates at current levels through 2013 (preventing a 26.5 percent cut scheduled for January 1). Expresses the sense of Congress that a permanent reform of the physician payment system is an urgent priority

Income-Based Premium Brackets

Initial Income Level within Tier for Individual (or Couple)	Final Income Level within Tier for Individual (or Couple)	A/B Premium Percentage: Initial to Final	Part D Premium Percentage: Initial to Final
$50,000 ($100,000)	$85,000 ($150,000)	12%-20%	25%-35%
$85,001 ($150,001)	$130,000 ($214,000)	20%-32%	35%-50%
$130,001 ($214,001)	$190,000 ($300,000)	32%-50%	50%-80%
$190,001 ($300,001)	No limit	50%	80%