



**AREA AGENCIES ON AGING ASSOCIATION OF MICHIGAN**  
**ASSOCIATE MEMBER NEWS**  
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*More details have emerged . . .* on House-passed health reform legislation, H.R. 3962. The bill's cost is pegged at \$894 billion over ten years, financed with savings from Medicare and Medicaid and new taxes and fees. Medicare/Medicaid savings are \$426 billion over ten years, from reduced inflationary updates for providers, reduced payments for preventable hospital readmissions, restructured payments to Medicare Advantage plans (except for PACE plans) making them equivalent to fee-for-service and adding quality bonuses, increased drug rebates benefitting Medicaid, and cuts in so-called DSH payments to hospitals. The largest source of revenue is a 5.4% surcharge on families with incomes above \$1 million and individuals with incomes above \$500,000, raising \$461 billion. The bill will generate more revenues than expenditures, according to the Congressional Budget Office, reducing the federal deficit by \$104 billion over ten years.

The House bill includes Medicare improvements, namely reducing the donut hole by \$500 in 2010 - eliminating it entirely by 2019, requiring drug companies to provide a 50% discount on brand name drugs in the donut hole effective 1/1/2010, increasing the asset thresholds for the Medicare Savings Programs and Part D Extra Help, and providing additional help to low-income Medicare beneficiaries with Part B expenses. Long term care is also woven in with the inclusion of the CLASS program – a payroll deduction plan providing a daily cash benefit if the individual becomes disabled and needs assistance.

*Health reform in the Senate . . .* took one step forward this week when Senate Majority Leader Harry Reid (D-Nevada) unveiled a merged reform bill, built from components of the Senate Finance bill and the Senate HELP Committee bill. The bill now goes to the Senate floor for a vote. The 2,000+ page “Patient Protection and Affordable Care Act” is available on Senator Debbie Stabenow’s website at <http://Stabenow.senate.gov>, along with documents analyzing and summarizing the legislation. The Senate bill closely resembles the House bill in its overall approach; there are differences in details, however. Here are highlights:

Like the House bill, the Senate bill requires most individuals to have health insurance or pay a penalty, creates a Health Insurance Exchange, and provides subsidies for purchasing insurance to individuals and families with modest incomes. Like the House, the Senate provides for a public or government-sponsored plan to be part of the exchange, however, the Senate makes it a state option. All but small employers (less than 50 employees) are required to provide health insurance or pay a penalty. Medicaid eligibility is expanded to 133% of the federal poverty level, with assistance to states in covering the cost.

The Senate also makes cuts to future Medicare and Medicaid spending and eliminates overpayments to Medicare Advantage plans. Additionally, the Senate imposes new taxes and fees on insurance companies, labs and medical device manufacturers. Another funding mechanism unique to the Senate is an increased Medicare payroll tax for those earning over \$200,000 (from 1.45% to 1.95%) along with a 5% tax on elective cosmetic surgery. To make future decisions on Medicare less politicized, the Senate proposes an independent Medicare Advisory Committee authorized to make cuts directly and bypass the usual legislative process.