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HEALTH CARE *and you*

The New Health Care Law and Medicare

If you are like many people with Medicare, you may have questions about what the new health care law means for you. Some of the changes in the law will happen quickly. Others will phase in over several years. By understanding what is in the law, you can make the best decisions for yourself and your family.

How the law improves your Medicare benefits

The health care law strengthens Medicare by protecting and improving your guaranteed benefits and cracking down on waste, fraud and inefficiency. It also identifies savings that will keep Medicare financially stable for 12 years longer than if no law had been passed.

The law protects any cuts to Medicare's guaranteed benefits, which include doctor, hospital and rehabilitation services. This is true whether you have Original Medicare or a Medicare Advantage plan.

Original Medicare, also called traditional or guaranteed Medicare, is a fee-for-service health plan. You can go to any doctor or hospital that accepts Medicare. Medicare Advantage plans are an alternative to Original Medicare. These plans are offered by private insurance companies and pay for the same health care services as Original Medicare. But they also might pay for additional health care services that aren't covered by Original Medicare. Examples of Medicare Advantage plans include Health Maintenance Organizations (HMOs) or Preferred Provider Organizations (PPOs).

New Medicare benefits under the law

The law has several new benefits. It gradually closes the prescription drug “doughnut hole,” adds free preventive benefits, and helps improve access to primary care doctors.

Closes the doughnut hole. If you have prescription drug coverage under Medicare Part D and fall into the coverage gap or doughnut hole, your out-of-pocket drug costs will be greatly reduced in the future.

When your total drug costs exceed a certain amount (\$2,830 in 2010), you fall into the doughnut hole. While in this coverage gap you pay the full price for your drugs until your total costs are high enough that you qualify for catastrophic coverage (\$4,550 in 2010). Your total drug costs include what you and your plan have paid. During this gap in coverage, you continue to pay your premiums. After you qualify for catastrophic coverage, you are responsible for only 5% of your prescription drug costs for the rest of the year.

Under the new law, the doughnut hole will gradually disappear.

Here’s how:

- If you reach the doughnut hole in 2010, you will automatically receive a one-time rebate check of \$250 to help reduce your out-of-pocket drug costs. You do not need to request or apply for the rebate. You will automatically receive a check in the mail at the address Social Security uses to contact you.
- If you reach the doughnut hole in 2011, you’ll get a 50% discount on brand name drugs and a 7% discount on generic prescription drugs while you are in the coverage gap.
- The doughnut hole will gradually narrow until it disappears in 2020. However, everyone on Medicare Part D will still have out-of-pocket costs for premiums and co-payments, just like you do now before you reach the doughnut hole.

Adds free preventive care benefits. You will no longer have to pay for Medicare-approved preventive care services. You will also be able to work with your doctor on a personalized prevention plan to keep you as healthy as possible. This means that health problems can be detected sooner and treated more quickly.

The new preventive benefits start in 2011. The benefits include:

- A free annual wellness visit.
- Screenings for bone density, diabetes and certain cancers. This includes mammograms, colonoscopies, and other preventive screenings.

Helps improve access to primary care doctors. Like most people on Medicare, you want to be sure that you continue to get quality care. You also want to know that primary care providers are available to give you that care. The law addresses these needs.

- Primary care doctors and nurses who treat people with Medicare will get 10% bonus payments for providing quality care. This will help ensure that you continue to get the medical care you need.
- In areas with doctor shortages, Medicare will give extra payments to physicians and nurses who provide primary care.

Cracks down on waste, fraud and inefficiency. Like many people on Medicare, you are probably concerned about health care fraud. Scams and fraud take money from the Medicare program. The law:

- Provides new resources to fight fraud and abuse in Medicare.
- Puts in place new tools to catch those who fraudulently bill Medicare.

What the law means for those with Medicare Advantage plans

The new health care law makes a number of changes in how Medicare Advantage plans operate. If you have a Medicare Advantage plan, it is important to know how and when these changes might affect you.

- If you have a Medicare Advantage plan for 2010, your plan will stay the same through the end of 2010.
- After 2010, you will still have a choice of how you receive your Medicare benefits. You can choose either a Medicare Advantage plan or Original Medicare.

The law changes the way Medicare pays for Medicare Advantage plans. This could result in changes to your particular plan. As usual during open enrollment, you will have the option to stay with your current plan, switch to a new one, or move to Original Medicare.

Focus on quality and value

The new law rewards Medicare Advantage plans that provide high quality care. The law also sets up new rules to make plans more cost-effective.

- The Centers for Medicare & Medicaid Services (CMS) has a rating system for Medicare Advantage plans. Plans that rate at least four out of five stars by CMS will receive bonus payments for providing you with better quality care. The bonuses begin in 2012. You can review your plan's rating at any time on Medicare's website www.medicare.gov.
- Plans must use some of the bonus money they receive for extra benefits and rebates to people participating in the plans. This means that higher quality plans may be able to offer you more services.

- Starting in 2011, Medicare Advantage plans cannot charge more than Original Medicare for certain services. These include chemotherapy administration, renal dialysis, and skilled nursing care.
- As of 2014, plans must limit how much they spend each year on administrative costs. For each dollar you pay in premiums, Medicare Advantage plans may not spend more than 15 cents on administrative expenses.

Changes in how Medicare Advantage plans are paid

Currently, Medicare pays subsidies to the private companies that offer Medicare Advantage plans. This means that these plans cost the Medicare program more than Original Medicare—on average about 13% more per person.

In 2011, Medicare Advantage plans will receive the same amount of subsidy as in 2010. But beginning in 2012, Medicare will start to reduce these subsidies so that payments will be more in line with Original Medicare.

The changes in Medicare Advantage payments will save the Medicare program money. Some of the savings will be used to close the Medicare prescription drug coverage gap or doughnut hole and to provide more preventive care to people with Medicare.

What this could mean for your Medicare Advantage plan

- Plans will differ in how they respond to the lower subsidies. This will depend partly on the state and county where the plan is located, and on the amount of quality bonuses they receive.
- The lower subsidies could mean that some plans may drop extra services such as eyeglasses and gym memberships. Some plans may raise their premiums and co-payments. Others may even decide to leave the Medicare program.

How you will know about changes to your Medicare Advantage plan

Every year, even before the new health care law, insurance companies that offered Medicare Advantage plans made decisions about what they would cover and what they would charge. Under the new law, each insurance company will continue to make a business decision whether to change your benefit package and costs.

In October 2010, you will receive a notice from your plan. It will tell you what changes, if any, will take place in your plan for 2011. This is the time for you to look at your options and make the best choice for yourself.

- If you have questions about the notice, you can contact your Medicare Advantage plan directly. You can also call 1-800-MEDICARE (1-800-633-4227) to speak with a counselor about your options.
- Starting October 2010, you can compare your options at Medicare Options Compare: www.medicare.gov/MPPF/. This site shows which Medicare Advantage plans are offered in your area.
- If your plan is changed or dropped, you can switch to a different Medicare Advantage plan or to Original Medicare.

Changes to income-related Medicare premiums

The law includes two important changes in the premiums for people with higher incomes. Currently, you pay a higher premium for Medicare Part B if your income is above a certain level. The income level starts at \$85,000 for a single person or \$170,000 for married couples filing joint tax returns.

- Starting in 2011, income-related premiums will also apply to those who have Part D prescription drug coverage. The income levels are the same as for Part B (\$85,000/individual, \$170,000/couple).
- The new law also freezes the 2010 income levels until 2020. As a result, more people will need to pay the higher-income premiums for Medicare Part B and Part D when they reach the income levels above.

Important information about Medigap insurance

Medicare does not pay for all of your health care costs. If you have Original Medicare, you may want to consider Medicare supplemental insurance, also called Medigap insurance. This insurance helps pay for costs such as deductibles, co-insurance, and co-payments. A Medigap plan may also pay for some types of care Medicare doesn't cover.

As of June 1, 2010, people on Medicare have a new line-up of Medigap plans:

- Two new plans have been added, called Plans M and N.
- Four plans—Plans E, H, I and J—are no longer available to those buying a new plan. However, if you already have one of these plans, you can keep it.

Other changes to Medigap plans include:

- Part A co-insurance for hospice care is now a core benefit in all plans.
- Plan G increases the benefit for Part B Excess Charges from the current 80% to 100%.

The changes apply only to new policies that are sold after June 1, 2010. They will not affect the Medigap policy that you purchased before June 1.

These changes to Medigap were put in place by the Medicare Improvements for Patients and Providers Act passed in 2008. They are not part of the new health care law.

Steps you need to take

- If you already have a Medigap plan that you like, you can keep it. Your plan and benefits will remain the same as long as you continue to pay your premiums on time. You won't need to change your existing coverage unless it no longer meets your needs.
- If you are in a Medicare Advantage plan, such as a Medicare Health Maintenance Organization (HMO), you don't need a Medigap policy. If you live in Massachusetts, Minnesota, or Wisconsin, you have different standard Medigap plans to buy.

Where you can get more information

- Your State Health Insurance Assistance Program (SHIP) can help you navigate these changes so you can get the coverage you need. Find your local SHIP at www.shiptalk.org.
- To see which plans are available in your area, go to Medicare Options Compare www.medicare.gov/MPPF/.

Make your choices wisely

This booklet highlights the major improvements and changes to Medicare that may affect you. However, if you are thinking about changing your Medicare or Medigap coverage, be sure to find out all the facts first.

Review all your options before you switch from one Medicare plan to another. If you have other health coverage, such as Medicaid or retiree health insurance from an employer or a union, find out how these plans work with each Medicare plan you are considering. If you drop your additional insurance when you change plans, you may not be able to get the same coverage back if you change your mind at a later date.

If you are looking at Medigap policies, review your choices carefully. Compare the premiums and benefits of different plans. Then take your time to sort through the information you have gathered. If you drop your Medigap insurance, you might not be able to get it back.

You can find tools to help you at www.medicare.gov or Medicare Options Compare www.medicare.gov/MPPF/.

By staying informed, you will be better able to make the decisions that are right for you.

Check www.aarp.org/getthefacts frequently for the latest information.



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