Medicare Changes Relevant for Employers

The health reform law proscribes a number of changes to Medicare, and the following lists some of the changes which may be of interest to counties in their role as employers:

- In 2011, there will be no coinsurance or deductibles charged in traditional Medicare for certain preventive services, and Medicare will offer a free comprehensive wellness visit annually as well as a personalized prevention plan for beneficiaries.

- In 2013, the Medicare Part A tax rate on wages will be increased by 0.9 percent on earnings over $200,000 for individuals and $250,000 for married couples filing jointly (from current rate of 1.45 percent to 2.35 percent)

Medicare Advantage

The health reform law contains gradual reductions in Medicare payments to Medicare Advantage plans, with the aim of aligning payments closer to the average costs of Medicare beneficiaries by county; specifically:

- In 2011, the benchmarks (the maximum amount Medicare pays plans per county) will remain the same as in 2010, and in 2012, federal payments to Medicare Advantage plans will be restructured and reduced over time, and bonus payments will be provided to plans with high quality ratings

Part D Changes

The health reform law does contain some changes that are designed to assist individuals who are affected by the Medicare Part D drug benefit coverage gap, or "doughnut hole[1]" by reducing the amount they are required to pay for prescriptions, as well as some other modifications to the Part D program; the key changes are listed below:

- In 2010, Part D enrollees who are affected by the doughnut hole coverage gap will receive a $250 rebate check (qualifying enrollees do not need apply for the rebate; checks were sent to individuals in summer 2010)

- In 2011, if enrollees have spending within the coverage gap, they will be able to receive a 50 percent discount on brand-name drugs, provided by the pharmaceutical industry

- Through additional phased-in subsidies that begin in 2011 for generic drugs and in 2013 for brand-name drugs, the coverage gap will be gradually phased out so that by 2020, enrollees will only pay for 25 percent of the cost of both brand-name and generic drugs in the coverage gap

[1] The Medicare Part D drug benefit coverage gap or "doughnut hole" occurs when beneficiaries reach a certain threshold on their total prescription drug spending; they are then required to cover 100 percent of their prescription drug costs until they qualify for catastrophic coverage.

- Additionally, in 2011, the health reform law creates an income-related Part D premium (with income thresholds the same as Part B[2])

- In 2011 or on a subsequent date defined by the HHS Secretary, to promote use of generic drugs, Medicare Part D plans will be allowed to waive the copayment for the first generic prescription filled

- In 2013, the health reform law makes the federal Part D Retiree Drug Subsidy taxable (however does not affect public sector employers)

- In 2014, the out-of-pocket amount required for enrollees to qualify for catastrophic coverage is reduced through 2019

Additional Resources

The Henry J. Kaiser Family Foundation. "Summary of Key Changes to Medicare in 2010 Health Reform Law." May 2010. http://www.kff.org/healthreform/upload/7948-02.pdf

The Henry J. Kaiser Family Foundation. "Explaining Health Care Reform: Key Changes to the Medicare Part D Drug Benefit Coverage Gap." March 2010. http://www.kff.org/healthreform/upload/8059.pdf

The Henry J. Kaiser Family Foundation. "Explaining Health Reform: Key Changes in the Medicare Advantage Program." May 2010. http://www.kff.org/healthreform/upload/8071.pdf

[2] In 2011, the health reform law freezes the income threshold for Part B premiums at 2010 levels through 2019, rather than indexing them for inflation.