

Health Reform: What's in It for Seniors?

The Basics

The Patient Protection and Affordable Care Act of 2010 (PPACA) goes far to improve health care for seniors and retired persons. This includes both lowering the cost of care, making it easier for early retirees to keep their health insurance, and strengthening the Medicare system.

For Early Retirees

Early retirees (aged 55-64) who wish to keep their employer health plan until they can get Medicare can now do so at a lower cost.

- Starting in June 2010, employers or insurers will be reimbursed for 80% of retiree health claims between \$15,000 and \$90,000.
- These payments will be used to lower the cost of health insurance for early retirees enrolled in the employer health plan. This means lower monthly premiums and/or co-pays
- This benefit will phase out in 2014, at which point early retirees will be able to purchase more affordable coverage through a state-based insurance Exchange.

Key Changes to Medicare

The new law makes key changes to several provisions of the Medicare program to improve coverage and benefits:

- Coverage in the Medicare Part D “donut hole” will be phased in. In 2010, Part D enrollees who reach the donut hole will receive a \$250 rebate. In 2011, those who reach it

The new law will phase prescription coverage into the Medicare “donut hole” by 2011.



will get a 50% discount on brand-name drugs. In 2011, coverage will begin to phase-in for generics, and brand-name drugs in 2013. By 2020, the donut hole will be closed, and Part D enrollees will only have to pay the standard 25% co-pay for prescription drugs.

- Eliminate co-pays on preventative care. Starting in 2011, seniors with Medicare will not have to pay co-pays or deductibles for preventative care, and Medicare will cover a free annual wellness visit.



The new law will lower costs for early retirees who keep their employer health plans

Changes to Medicare Advantage Plans

Seniors with Medicare Advantage plans will see additional changes to improve their quality of care and reduce costs by:

- Phasing down overpayments to Medicare Advantage plans in 2012. Currently, Medicare pays Medicare Advantage plans more than traditional Medicare. These higher payments cost nearly \$44 billion between 2004-2009.¹
- Prohibits Medicare Advantage plans from charging higher co-pay than traditional Medicare for chemotherapy, renal dialysis, skilled nursing care, and other services.
- Requires Medicare Advantage plans to use at least 85 cents of every dollar on patient care (traditional Medicare spends 98 cents of every dollar on patient care).
- Provides financial bonuses to Medicare Advantage plans based on quality ratings.

¹ Brian Biles, Jonah Pozen, and Stuart Guterman, "The Continuing Cost of Privatization: Extra Payments to Medicare Advantage Jump to \$11.4 Billion in 2009," The Commonwealth Fund, May 4, 2009.

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