

HEALTH CARE REFORM

> Important changes to Medicare and Medicaid

by Ross Dwyer, Esq.



Ross Dwyer

The Patient Protection and Affordable Care Act (PPACA), enacted on March 23, 2010, brought significant change to Medicare and Medicaid. Some changes are already in effect, while others are still on the horizon. Here are some of the big ones you should know about.

Replenishing Medicare's Trust Fund – While significant issues still remain with ensuring the Medicare Trust Fund doesn't go broke, the PPACA extends the Trust Fund through 2024, and charges the Independent Payment Advisory Board with developing and submitting proposals to Congress and the President aimed at extending Medicare's life.

Medicare cuts – PPACA made cuts to Medicare, primarily by mandating that some hospitals and plans are reimbursed less for their services. No cuts were made to actual Medicare benefits.

New and increased Medicare taxes – Effective Jan. 1, 2013, a .9 percent increase to the Medicare Part A tax rate (from 1.45 percent to 2.35 percent) ensued, along with a new 3.8 percent Medicare tax on certain investment income of high earners.

Expanded Medicare Part D coverage – Medicare Part D coverage – for prescription drugs – increased under PPACA by addressing out-of-pocket expenses incurred due to the so-called "donut hole" coverage gap. In 2011, beneficiaries subject to the donut hole began receiving a 50 percent discount for prescription drugs. Discounts continue until 2020, when the gap closes.

Higher Medicare Part B premiums for more people – Since 2003, high earners have paid additional premiums for Part B Medicare coverage. The income threshold to determine these high earners has

increased every year to account for inflation. PPACA froze the income threshold effective Jan. 1, 2011, through 2019. During this timeframe, those making more than \$85,000 per year individually or \$170,000 per year jointly are subject to the additional premiums. In addition, the added premium increases with the more money earned.

Medicare tax deduction for employers eliminated – Before PPACA, employers who offered employment-based Medicare part D coverage to retirees could take a deduction for expenses related to such coverage. PPACA eliminated the deduction effective Jan. 1, 2013.

Bridging the gap between original Medicare and Medicare Advantage – Medicare Advantage plans are those offered by private insurance companies with an aim at cost reduction. The federal government contends these plans actually cost more than Original Medicare because Advantage plans are reimbursed at a higher level. To combat this, PPACA gradually reduces how much Medicare Advantage plans are reimbursed.

Medicaid expansion – The biggest and perhaps most controversial change to Medicaid takes effect Jan. 1, 2014, when almost all people earning less than 133 percent of the poverty level become eligible for Medicaid; up to eight million new Americans will qualify. Initially, states were required to expand their Medicaid coverage to continue receiving federal funding, but the U.S. Supreme Court's decision on PPACA made Medicaid expansion optional. To date, California is one of 22 states set to undergo the expansion.

Additional federal funding of Medicaid – Beginning October 2011, states were given additional resources and funding to help move Medicaid beneficiaries from institutions into their own homes and communities. In addition, states offering certain preventative services began receiving additional federal funding Jan. 1, 2013.

Medicare and Medicaid Innovation Center – The Innovation Center, established Jan. 1, 2011, strives to improve health care payment and service delivery models. The community-based Care Transitions Program is a featured component of the Center and attempts to improve care transitions and reduce re-admission procedures for high-risk beneficiaries.

Fraud prevention – PPACA provides more aggressive tools for the government to combat Medicare and Medicaid fraud. Fraud prevention efforts recovered \$14.9 billion in taxpayer dollars from 2008-2012, a 45 percent increase from the previous four year period. ■

Ross Dwyer, Esq. is an associate attorney with the law firm of Ericksen Arbuthnot in Oakland. He can be reached at (510) 832-7770, ext. 105.