



**A Comparison of Medicare Proposals:  
The Affordable Care Act and the Romney/Ryan Plan**  
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# A Comparison of Medicare Proposals: Affordable Care Act and the Romney/Ryan Plan

## Background

As the 2012 elections approach, Medicare is taking center stage in the campaign, and spurring a major national debate. With the selection of Representative Paul Ryan as Governor Mitt Romney's Presidential GOP running mate, Ryan's plan to reinvent Medicare is being pitted against recent health care reforms included in The Patient Protection and Affordable Care Act (ACA), which was signed into law under President Obama in March of 2010 and is frequently referred to as "ObamaCare".

### ACA

ACA is aimed primarily at decreasing the number of uninsured Americans. It provides various incentives to individuals and employers to increase the coverage rate. The constitutionality of ACA was challenged and mostly upheld by the Supreme Court in June 2012. In addition to increasing the number of insured, the ACA includes additional benefits to Medicare beneficiaries including increased coverage for preventive care and gradually reduces the Medicare Part D (prescription drug coverage) coverage gap, also known as the "doughnut hole."

### Ryan Plan

The 2012 budget proposal sponsored by Paul Ryan and passed by the House of Representatives, known as *The Path to Prosperity: A Blueprint for American Renewal* or the Ryan Plan, incorporates some changes under ACA as well as future Medicare changes. Currently, traditional Medicare is a "fee for service" program, which pays health care providers for each procedure or visit. Representative Ryan contends the system is "open-ended blank-check commitments to reimburse health care providers for services" which drives up costs. Instead, beginning in 2022 the Ryan Plan wants the government to issue a subsidy or "voucher" that may pay part and possibly all of the cost of a person's health insurance depending on the chosen plan. The size of that subsidy, known as a "premium-support payment" would depend on the beneficiary's income and health status. Lower income beneficiaries and people who need more health care would get a higher subsidy.

According to the Ryan Plan, adults currently aged 55 and older would not face any changes to their Medicare coverage and current Medicare beneficiaries would be given the option in 2022 to remain in the traditional system or move to the new model. In 2022, the age for Medicare eligibility would increase by two month increments each year, until it reached 67 in 2033. Retirees would sign up for private health insurance plans, with Medicare subsidizing the coverage. Private insurers would be required to accept all applicants and charge the same rate for people the same age. Individuals could add more of their own money to get better coverage.

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The ACA is intended to achieve over \$700 billion in “savings” to Medicare over the next decade by reducing its rate of growth. The ACA has several avenues to achieve these savings including reducing the rate of increases in future payments for hospitals, home health organizations and other providers; reducing payments to Medicare Advantage plans; and payment and delivery system reforms and innovations. Paul Ryan's FY13 budget resolution approved by Congress, includes the same \$700 billion in “savings” to Medicare achieved largely through increased competition that will drive down costs.

Governor Romney first indicated that he would repeal the entire ACA. Most recently, in a series of televised interviews, he stated that some parts of the ACA are beneficial and in particular would maintain the ACA provision that insurance companies cannot deny coverage based on pre-existing conditions. He also stated that he would put the more than \$700 billion back in to Medicare which is contrary to Representative Ryan's budget deficit reduction plan. Governor Romney has also stated he would like to make Medicare a means-tested program, saying "We're going to have higher benefits for low income people and lower benefits for high income people. We're going to make it more means-tested."

The following table provides a side-by-side comparison of Medicare including changes under ACA, to the Ryan plan as endorsed by Governor Romney. Since the Ryan Plan is a proposal and not a law, many details and technicalities are unclear.

	<b>Current Medicare including changes from the Affordable Care Act</b>	<b>Ryan Plan</b>
Overview	<p>Individuals ages 65 and older, and younger adults with permanent disabilities who are entitled to Part A and enrolled in Part B (Medicare beneficiaries) are entitled to a defined benefit package, with option for coverage of Part A and B benefits under either traditional fee-for-service (FFS) Medicare or a private Medicare Advantage plan.</p> <p>Beneficiaries may also receive Part D prescription drug benefits under private plans, including either stand-alone prescription drug plans or Medicare Advantage prescription drug plans.</p> <p>In general, Part B premiums are set to cover 25 percent of program costs. Low-income beneficiaries are entitled to premium assistance, and higher income beneficiaries pay higher premiums. Part D is similar.</p> <p>Cost-sharing may include premiums, deductibles, co-payments, or co-insurance.</p>	<p>Beneficiaries would be entitled to a defined federal contribution to be used towards the purchase of a plan that is at least equal in benefits to the services offered under FFS Medicare; plans would be made available through a new Medicare Exchange.</p> <p>Seniors would get a fixed amount of money, referred to as "premium support," to pay for their health care. One option for that care would include purchasing traditional Medicare. Other insurance plans would also bid for Medicare business, offering consumers other options for their coverage.</p> <p>The second-least expensive approved plan <i>or</i> Medicare fee-for-service, <b>whichever is least expensive</b>, would establish the benchmark that determines the premium-support amount for the plan chosen by the individual. If a senior chose a costlier plan than the benchmark plan, he or she would be responsible for paying the difference between the premium subsidy and the monthly premium. Conversely, if that senior chose a plan that cost less than the benchmark, he or she would be given a rebate for the difference. The premium support payment would be higher for low income and sicker beneficiaries and vary by geographic location. Private health plans would be required to cover at least the same benefits as provided by fee-for-service Medicare.</p> <p>Medical Savings Accounts (MSA) will be established and funded for low-income beneficiaries, specifically for those who are eligible for both Medicare and Medicaid.</p> <p>Cost-sharing may include premiums, deductibles, co-payments, or co-insurance.</p>

	<b>Current Medicare including changes from the Affordable Care Act</b>	<b>Ryan Plan</b>
Who would be eligible?	Individuals are eligible for Medicare if they or a spouse worked for at least 10 years in Medicare-covered employment and are 65 years or older and a citizen or permanent resident of the United States. Individuals under 65 with disabilities may also qualify.	All individuals who become eligible for Medicare on or after January 1, 2022. Individuals born before 1957 would be grandfathered into the current Medicare system. Starting in 2023, a phased in approach to increasing eligibility will begin, raising Medicare eligibility age by two months a year until it reaches 67 by 2034.

	<b>Current Medicare including changes from the Affordable Care Act</b>	<b>Ryan Plan</b>
When would the changes occur?	<p>Already implemented:</p> <ul style="list-style-type: none"> <li>• Insurance companies cannot drop your coverage if you become sick.</li> <li>• Insurance companies can't place lifetime dollar limits on your health coverage</li> <li>• Pre-existing Condition Insurance Plan (temporary insurance) is available to cover people who have been denied insurance because of a pre-existing condition and have been without insurance for at least 6 months.</li> <li>• People with Medicare get a 50% discount on brand-name prescription drugs and a 14% discount on generic drugs while in the coverage gap or "doughnut hole."</li> <li>• Medicare adds free coverage for some wellness and preventive care.</li> </ul> <p>2013:</p> <p>People with Medicare get a 52.5% discount for brand name and 21% for generics.</p> <p>2020:</p> <p>Medicare Part D Doughnut Hole is phased out and by 2020, 75% of prescription drugs are covered by Medicare. Beneficiaries pay 25%.</p>	<p>To be rolled out in 2022.</p> <p>Romney has said he will work to repeal most of the Affordable Care Act if he is elected. Most recently Romney has made statements to the media indicating that he will keep the pre-existing condition provision of ACA.</p>

	<b>Current Medicare including changes fro the Affordable Care Act</b>	<b>Ryan Plan</b>
Is Medicare (Fee-For-Service) still an option?	Yes. All beneficiaries who are entitled to Part A and enrolled in Part B have the option of receiving Medicare-covered services under the FFS Medicare program, or a private Medicare Advantage plan.	<p>Yes. FFS Medicare would be offered through the Medicare Exchange along with other private plans, and available to all Medicare beneficiaries.</p> <p>Deductibles would be combined for Part A and Part B.</p> <p>Proposes a new reimbursement system that compensates physicians who treat seniors and creates incentives that improve quality and efficiency.</p>

	<b>Current Medicare including changes from the Affordable Care Act</b>	<b>Ryan Plan</b>
Will Medicare Advantage still exist?	<p>Yes. Medicare Advantage plans that give better quality care will receive bonus payments. Plans are required to use some of this bonus money to offer beneficiaries added health benefits which means that higher quality plans may be able to offer more services.</p> <p>In the past, Medicare paid subsidies to the private companies that offer Medicare Advantage plans. This means that these plans cost the Medicare program more than Original Medicare. As of 2012, Medicare has started to lower these subsidies so that payments will be more in line with Original Medicare. Some of the savings will be used to close the Medicare prescription drug doughnut hole and to provide more preventive care to people with Medicare. The lower subsidies could mean that some plans may drop extra services such as eyeglasses or gym memberships. Some plans may raise their premiums and co-payments. Others may even decide to leave the Medicare program.</p>	<p>Yes. The proposal builds on the coordinated-care model of the Medicare Advantage system while ensuring that those who are currently in the program see no disruptions in services. Future Medicare enrollees would have access to plans that provide access to care similar to the way that Medicare Advantage plans do now.</p>
What happens to Prescription Drug Coverage (Medicare Part D)?	<p>Starting in 2012, Medicare will offer a 50% discount on brand-name prescription drugs and 14% discount on generic prescription drugs while in the doughnut hole. The doughnut hole will eventually be phased out by 2020 at which time beneficiaries will be responsible for 25% of their drug costs until they reach catastrophic coverage. In 2012, catastrophic coverage starts when you have paid \$4700 (about \$6657.50 in true drug costs) at which time, Medicare covers 95% of drug costs.</p>	<p>Changes with respect to prescription drug coverage not specified.</p>

	<b>Current Medicare including changes from the Affordable Care Act</b>	<b>Ryan Plan</b>
Would benefits remain the same?	<p>FFS Medicare: Beneficiaries who are entitled to Part A and enrolled in Part B receive a defined set of benefits, with separate deductibles for Part A and Part B, and cost-sharing that varies across services. Deductibles and other cost-sharing do not vary by income.</p> <p>Medicare Advantage: Beneficiaries enrolled in plan entitled to Medicare benefits, and actuarially equivalent cost-sharing. Some plans are required to use federal rebate payments to provide benefits not covered by FFS Medicare and/or lower cost for participants.</p> <p>Part D: Enrollees entitled to standard benefit, or one that is actuarially equivalent.</p>	<p>Private plans would be required to provide at least the same value as the FFS Medicare benefit package (although not necessarily the same benefits).</p> <p>FFS Medicare would have one deductible for Part A and Part B.</p> <p>Changes with respect to prescription drug coverage not specified.</p>

	<b>Current Medicare including changes from the Affordable Care Act</b>	<b>Ryan Plan</b>
What will the Premiums Be?	<p>Part A: Most beneficiaries do not pay a Part A premium; they are entitled to Part A if they or their spouse contributed to payroll taxes during their working years.</p> <p>Part B: In general, premiums are set to cover 25 percent of program costs. Low-income beneficiaries are entitled to premium assistance, and higher income beneficiaries pay higher premiums.</p> <p>The standard monthly premium estimates by year as reported in the 2012 Annual Report of the Boards of Trustees of the Federal Hospital Insurance and Federal Supplementary Medical Insurance Trust Funds are as follows:</p> <p>2013 – 109.10  2014 – 112.10  2015 – 117.00  2016 – 122.00  2017 – 128.20</p> <p>Medicare Advantage: In addition to the uniform Part B premium, beneficiaries in Medicare Advantage plans may pay a premium that may vary by plan and county.</p> <p>Part D: Similar to Part B except set to cover 25.5 percent of program costs but vary by plan and region.</p>	<p>Beneficiaries who chose to enroll in a plan that was more expensive than the benchmark would be required to pay the incremental additional cost.</p> <p>Beneficiaries who enrolled in a plan that costs less than the benchmark would be rebated the full difference in cost from the benchmark.</p> <p>Unclear if current Part B and Part D formulas would be retained.</p>
Will there be out-of-pocket limits?	<p>FFS Medicare: No limit on out-of-pocket spending.</p> <p>Medicare Advantage: All plans are required to limit out-of-pocket spending to levels specified annually by CMS.</p> <p>Part D: Includes a catastrophic threshold that limits beneficiaries liability</p>	<p>FFS Medicare would have a limit on out-of-pocket spending.</p> <p>No indication if there will be a requirement on other plans.</p>

	<b>Current Medicare including changes from the Affordable Care Act</b>	<b>Ryan Plan</b>
Is everyone guaranteed coverage?	<p>FFS Medicare and Part D: All beneficiaries are eligible for enrollment without regard to income, health status, age or other factors.</p> <p>Medicare Advantage: Beginning in 2014, all beneficiaries are eligible to enroll in any Medicare Advantage plan. The only exclusion to Medicare Advantage currently is for persons with End Stage Renal Disease.</p>	<p>The regulations governing the Exchange would include guaranteed issue and community rating requirements for all health plans to ensure that seniors are able to choose an affordable health plan without fear of denial or discrimination.</p>
What if I am eligible for Medicare and Medicaid currently?	<p>Medicaid pays the Part B premiums for beneficiaries eligible for both Medicare and Medicaid. Medicaid also helps pay Part A and B cost sharing for full dual eligibles, and in some cases for individuals eligible for partial benefits. Medicare limits the cost-sharing Part D plans can charge these individuals and guarantees they can enroll in at least one Part D plan for no premium.</p> <p>The ACA has established the Medicare-Medicaid Coordination Office to improve quality of and access to care for dual eligibles. Michigan is working towards integrated care to provide better health outcomes and a more cost-effective system.</p>	<p>Premium and cost-sharing assistance for those eligible for Medicare and Medicaid would be provided, either under Medicaid or Medical Savings Accounts. Details unspecified. Individuals eligible for both programs would continue to have Medicaid pay their out-of-pocket expenses if costs per beneficiary rise faster than cap on payments.</p> <p>Unspecified as to whether beneficiaries would be required to pay the incremental additional cost if they chose to enroll in a plan that was more expensive than the benchmark.</p>
What if I am low-income but not eligible for Medicaid?	<p>For beneficiaries with incomes up to 150 percent of the FPL (In 2012: \$16,755 annual for single and \$22,695 for a couple) Medicare limits the premiums and cost sharing Part D plans can charge. Beneficiaries can enroll in at least one Part D plan with no premium.</p>	<p>Low-income beneficiaries would receive a higher premium support payment to buy insurance.</p> <p>Low-income beneficiaries who are not on Medicaid would receive a Medical Savings Account from which to pay premiums, co-pays, and other out-of-pocket costs.</p> <p>Low-income seniors would be offered the same range of plan options offered to other seniors.</p> <p>Eligibility levels for low income beneficiaries are not specified.</p>

	<b>Current Medicare including changes from the Affordable Care Act</b>	<b>Ryan Plan</b>
What if I have a high income?	Part B and Part D enrollees with incomes greater than \$85,000 per individual/\$170,000 per couple pay an income-related monthly premium for Part B and Part D; premium amounts range from 35 percent to 80 percent of the average program cost, depending on income; income thresholds frozen at current levels through 2019. Deductibles and cost-sharing do not vary by income.	Would apply the same income-related premium thresholds as under ACA, however, the premium amounts are not specified.

## FAQs

### **Will Ryan's plan "end Medicare as we know it"?**

Not now, but under Ryan's approach traditional Medicare will be just one option in a newly created competitive marketplace beginning in 2022. Everyone currently aged 55 and over would be grandfathered into traditional Medicare.

### **What are Governor Romney's plans for ACA?**

Governor Romney initially indicated he would repeal the Affordable Care Act in its entirety. In recent media reports, he has said he would keep parts including allowing children to stay on their parents insurance until they are age 26, requiring insurance companies to insure individuals with pre-existing conditions, and making insurance more accessible for individuals who are unemployed.

### **Would seniors get the same amount of coverage under Ryan's plan?**

Private plans would be required to provide at least the same value as the traditional Medicare benefit package, but not necessarily the same benefits. If beneficiaries want more coverage they could choose a private plan that offers greater coverage, but may cost more than their voucher provides.

### **Would seniors pay more for traditional Medicare under Ryan's plan?**

Experts differ on how premium support would impact the cost of Medicare. Some experts say it will drive up premium costs faster suggesting Medicare will price itself out of the market because it will become the option of choice for the sickest – and costliest – patients because the cheaper for profit plans will attract healthier seniors who use little health care. Any impact would not be felt until the premium support begins in 2022.

### **Is it true that \$716 billion will be cut from Medicare under ACA?**

That all depends on the meaning of the word "cut". Under both plans, the rate of Medicare growth could be slowed by that amount. ACA will primarily trim projected increases in reimbursement rates to medical providers like doctors, hospitals, and managed care plans and encourage innovations that make care more efficient. A newly created institute will make high-level recommendations about which treatments work best for the money. Reduced costs will be achieved by creating efficiencies through reduction of hospital readmissions, Accountable Care Organizations, and patient-centered medical homes.

### **Will the ACA result in less coverage for seniors?**

In the short run the ACA provides extra benefits, like shrinking the coverage gap (doughnut hole) in the Medicare prescription drug plan and covering preventive services like an annual wellness exam and mammograms. What happens over time depends on how successfully the ACA's new cost control mechanisms rein in Medicare's current growth trajectory. Some doctors have indicated that

decreasing reimbursements may be a deterrent to taking Medicare patients . It is unclear whether this will also be an issue for Medicare fee-for-service subscribers under Ryan's plan.

### **Will health care costs for seniors go up under ACA?**

Even with the cost control measures built into the new law and the increased emphasis on prevention, Medicare's history suggests program costs and patient premiums will continue to go up over time. Although ACA puts much of the financial burden of cuts on providers, beneficiaries will share some part of the increased expense.

### **Will there be "death panels"?**

In 2009, Sarah Palin used the term "death panel" to describe a proposal in the emerging Affordable Care Act legislation that would allow Medicare to pay for doctor's appointments for patients to discuss living wills and other end-of-life issues. This benefit was later removed from the legislation. Later Palin claimed that she was referring to the Independent Payment Advisory Board (IPAB), which she believes will ration health care. Driven by concern about rising Medicare program spending, some have questioned the ability of the Congress to make needed decisions to slow the growth in Medicare spending. IPAB was enacted in the ACA to address a number of Medicare fiscal, governance and policy issues. The law includes language prohibiting IPAB from including any recommendation that would 1) ration health care; 2) raise revenues or increase Medicare beneficiary premiums or cost sharing; or 3) otherwise restrict benefits or modify eligibility criteria. Thus the characterization of the IPAB as a death panel is not valid.

Ryan's "The Path to Prosperity" indicates that he will "repeal the IPAB, the unaccountable panel of 15 unelected bureaucrats empowered by the President's health care law to cut Medicare in ways that would lead to denied care for seniors". The dispute really centers on a philosophical divide between parties. Democrats would rely on independent experts (such as doctors and consumer advocates) to recommend the cuts; Republicans would rely on the insurance marketplace to control costs.

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