



Area Agency on Aging 1-B

THE ADVOCATE

October 2012

Governor Snyder Proposes Major Changes for Blue Cross Blue Shield of Michigan SB 1293 and SB 1294



Governor Snyder unveiled a proposal in September that would involve major changes to Blue Cross Blue Shield of Michigan. The legislation was introduced as SB 1293 and SB 1294 to the Senate Insurance Committee. The following is an overview of the proposed changes. BCBSM would:

- Convert to a mutual insurance company while maintaining its nonprofit status
- No longer be exempt from about \$100 million a year in state and local taxes. Taxes are estimated to be \$82 million in 2013, and average about \$100 million per year.
- Be subject to the same rate review process as every other health care insurer. This process would be faster and more streamlined.
- No longer be the only "insurer of last resort" after 2013. If the Affordable Care Act is implemented, this provision will no longer be necessary beginning in 2014 as ACA requires insurance companies to accept new policyholders regardless of pre-existing conditions.
- Contribute \$1.5 billion over 18 years into a separate nonprofit aimed at tackling health issues in the state. The amended version (S-1) of SB 1294 suggests that some of these funds "support programs that assist senior citizens and individuals with disabilities to live healthy and independent lifestyles and that protect vulnerable individuals from abuse and neglect".

The Area Agency on Aging 1-B has testified before the Michigan legislature to advocate for:

- Sustaining funding for state-wide respite care that is provided to family caregivers of older adults and adults with a disability. This money comes from the Blue Cross Escheats Fund which are Blues' un-cashed checks.
- Preserving the Blue Cross "Legacy" (Plans A and C) Medigap policies, especially subsidized policies for low-income seniors. Unlike Medigap policies sold by other companies, Legacy policies are community-rated, do not have pre-existing condition exclusions, and are subsidized to make them more affordable.
- Including seniors as beneficiaries of the separate nonprofit and have representation on the Board of Directors.

Senate Insurance Committee members from AAA 1-B region currently taking public comment include Senators Hune, Marleau, Brandenburg and Bieda. The House Insurance Committee members from AAA 1-B region are Committee Chair, Rep. Lund and Rep. LaFontaine.

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

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". There have been many false and misleading reports in the media concerning these approaches to Medicare, so it is important for Michigan seniors to understand the facts. AAA 1-B is non-partisan and unbiased. The information presented is intended to be subjective and informational. It is not intended to offer a position on either plan. **The full report can be found online at this link:** : <http://www.aaa1b.com/wp-content/uploads/2010/07/2012-Medicare-ACA-vs-Ryan.pdf>

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, 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, 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.

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. 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 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 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.

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 on providers, beneficiaries will share some part of the increased expense.

Proposal 4: Keep Home Care A Safe Choice: November Ballot Proposal Impacting Seniors

A proposal for an initiated constitutional amendment that will appear on the November 6 ballot would establish a "Michigan Quality Home Care Council" in the state constitution and would affirm limited collective bargaining rights for about 42,000 home health care workers. These workers are hired and fired by the elderly or disabled participants of the Medicaid-funded Home Help Services Program and are paid by the Michigan Department of Community Health. The Home Help Services Program will remain in effect regardless of the outcome of the proposal that has been placed on the ballot.



The proposal focuses on the unionization of home health care workers and the establishment of the Michigan Quality Community Care Council (not on the services available to the disabled and the elderly) which organizers say would:

- Oversee a registry that links home care recipients with pre-screened home care providers in their area
- Require home care providers on the registry to undergo criminal background checks and give access to training to better care for seniors and persons with disabilities
- Allow seniors and persons with disabilities the choice to direct their own care
- Save taxpayer dollars in avoided nursing home costs

Opponents have expressed concern over whether this proposal is a means to channel money to unions or whether the Council would actually improve the care available to participants of the Home Help Services program and whether this issue is so significant that it should be enshrined in the state constitution.