

A LONG-TERM PLAN FOR MEDICARE AND MEDICAID

ALICE RIVLIN AND PAUL RYAN

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Our Goal

The Medicare and Medicaid programs are currently the primary drivers of upward pressure on the Federal budget. We aim to show a path to achieving the Co-Chairs' goal of containing the growth this program to GDP +1 percent and to demonstrate that Republicans and Democrats can come together to reform entitlements.

Proposal for Medicare Reform

Create a Sustainable Medicare Program for the 21st Century

A new Medicare program should be created for future retirees (those who first become eligible by turning 65 on or after January 1, 2021). The new Medicare program would provide a payment – based on what the average annual per-capita expenditure is in 2021 – to purchase health insurance. The payment would grow annually at a rate of GDP +1 percent.

The annual payment would be adjusted by income, with high-income seniors receiving a reduced payment and low-income seniors receiving extra support. The payment would also be geographically rated and adjusted for health risk. In addition to a higher Medicare payment amount, low-income “dual-eligibles” would also receive a fully funded account from which to pay out-of-pocket expenses.

In order to receive the Medicare payment, a beneficiary would select a plan from a newly created Medicare Exchange. Health plans which choose to participate in the Medicare Exchange must agree to offer insurance to *all* Medicare beneficiaries, thereby preventing cherry picking and ensuring that Medicare's sickest and highest cost beneficiaries receive coverage.

For those now enrolled in Medicare, or becoming eligible before 2021, the traditional fee-for-service Medicare program would continue. Premiums for the current program would be held harmless from the effects of the creation of the new Medicare program.

Raise the Medicare Retirement Age

In 2021, begin raising the Medicare eligibility age to correspond to OASDI normal retirement age (2 months per year beginning in 2021 and stopping at age 67).

Repeal CLASS Program

PPACA created a new long-term care entitlement for the Medicare program that is set to collect premiums beginning in 2014. The premiums are used to pay for the new health care benefit, and not for the new long-term care program. Since the CLASS program is a new unfunded entitlement, it should be repealed because it will increase the deficit over the long term.

Other Changes

The current Medicare program should undergo a number of small, common sense changes to help achieve long-term sustainability. These savings should include comprehensive medical malpractice reform, combining Parts A and B deductibles and eliminating first-dollar coverage in Medigap plans

Proposal for Medicaid Reform

Convert the Federal Share of Medicaid into an Allotment to States

Beginning in 2013, the Federal share of Medicaid's payments for acute and long-term care services should be converted into an allotment to states.

In exchange for slower growth in the Federal government's Medicaid payment, states will have more flexibility in how they use Medicaid funds to meet the needs of their low-income populations.

Each state's initial allotment would be determined by the state's per capita low-income population based on Federal Poverty Level. The state allotment would grow at GDP +1 percent and would be further adjusted for population growth.

NEAR-TERM EFFECTS OF RIVLIN-RYAN PROPOSAL	
PROVISION	CHANGE IN UNIFIED-BUDGET DEFICITS, 2011 - 2020 (\$ BILLIONS)
CHANGE MEDICAL MALPRACTICE LAWS	-\$60
REPEAL CLASS PROGRAM	+\$70
MODIFY MEDICARE COST SHARING	-\$110
ESTABLISH MEDICAID BLOCK GRANTS	-\$180
TOTAL SAVINGS	-\$280

SOURCE: CBO

