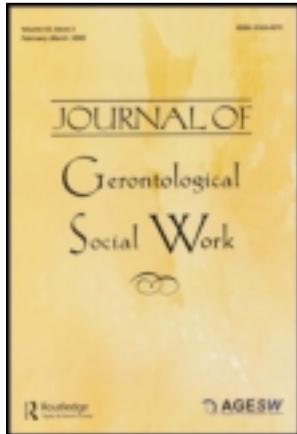


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Publisher: Routledge

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Journal of Gerontological Social Work

Publication details, including instructions for authors and subscription information:

<http://www.tandfonline.com/loi/wger20>

Medicare Uncertainties

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Version of record first published: 18 Oct 2012.

To cite this article: Amanda S. Barusch (2012): Medicare Uncertainties, Journal of Gerontological Social Work, 55:8, 677-681

To link to this article: <http://dx.doi.org/10.1080/01634372.2012.736849>

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Editorial

Medicare Uncertainties

PAYING FOR RETIREE HEALTH COVERAGE: PERSONAL AND ELECTORAL CONSIDERATIONS

Health coverage is on the minds of baby boomers hovering on the verge of retirement, as well as those who have already retired. We wonder what Medicare will cost and whether the program will be there to meet our needs. Here I would like to alert readers to some Medicare provisions that may be of interest, and give a brief outline of Republican and Democratic approaches to cost-reduction. Those struggling to navigate the system may find the Medicare Rights Center a valuable resource. They maintain a website (www.medicarerights.org) and a free e-newsletter.

What Will Medicare Cost?

Over the years, Medicare cost increases have been addressed through payroll tax and premium increases, some of which have been progressive, with higher rates charged to the more affluent. Part A (hospital coverage) is still free to the beneficiary, largely financed through a 2.9% tax on the wages of current workers. There is no ceiling on wages subject to the Medicare payroll tax, which is scheduled to increase to a total of 3.8% in 2013. At the same time, the tax will be applied to unearned income for high income taxpayers. Part B is a different story. In 1967, the premium of \$3 per month covered half the program's costs (O'Sullivan, 2004). Indeed, the amount by which premiums could increase was limited by legislation and, consequentially, the proportion of costs covered by premiums steadily declined to 25% by the early 1980s. The Balanced Budget Act of 1997 called for premiums to be set at levels that cover not less than 25% of costs and, since 2007, retirees with higher incomes have paid higher Part B premiums.

A Department of Health and Human Services (2011) news release trumpeted the news that Medicare Part B premiums for 2012 would be lower than projected. Adjusted annually, the basic premium (paid by individuals with modified adjusted gross income [MAGI] of under \$85,000 and couples with MAGI below \$170,000) was set at \$99.90 per month. This is the amount

paid by 95% of beneficiaries. Those whose MAGI is higher pay more, up to a premium of \$319.70 paid by individuals with MAGI above \$214,000 and married couples above \$428,000. Premiums under Part D (the Prescription Drug Benefit) are also structured to increase with income (Social Security Administration, 2012a).

For some, Part B premiums include a “late enrollment penalty” of 10% for each year they could have had Part B but did not enroll. Part D also has a late enrollment penalty. These penalties do not apply to retirees who have health coverage through employment, whether their own, their spouse’s or their domestic partner’s. Most people who incur the late enrollment penalty can expect to pay the increased amount for the duration of Medicare coverage. This penalty can hit retirees hard. A woman I know moved to Canada for her husband’s job. When he passed away she returned to the United States to live with her daughter. Now in her eighties, she pays a substantial penalty for her 15-year delay in applying for Medicare.

Will It Be There for Me?

Medicare costs have been rising exponentially, reflecting the combined effects of an aging population and high inflation in the health sector. As a result, the program faces an urgent solvency problem. In 2011, Medicare absorbed 3.7 percent of the nation’s GDP, a figure that is projected to rise to 5.7 percent by 2035. Expenses have exceeded income since 2008, in 2011 by \$27.7 billion, and HI trust fund is now expected to be exhausted in twelve years (Social Security Administration, 2012b).

So it is no wonder that those considering retirement wonder whether Medicare will be there for us. It is also not surprising that Medicare is once again being treated as a political football. As I write, a *New York Times* headline notes Obama’s growing lead in Ohio and Florida. But the election will be close, and the two parties have offered significantly different approaches to cutting Medicare costs.

CUTTING PROGRAM COSTS

The best summary of Republican thinking on the topic can probably be found in the budget resolutions submitted by the House Budget Committee (2012), chaired by Paul Ryan. The Republican budget resolution for 2010 proposed to privatize Medicare by converting it to a voucher program (see Barusch, 2011 for a description of the resolution and its political consequences). While the details seem to be in flux, the Republican position has been characterized as changing Medicare from a “defined benefit” to a “defined contribution” program with a “premium support model” (Kliff, 2012). That is, Medicare beneficiaries would receive a fixed amount of money from the program (a voucher) with which they can shop for private coverage.

The 2013 budget resolution offers more detail than the 2010 proposal. Like the 2010 version, it notes the Medicare solvency crisis, and offers to hold-harmless anyone over the age of 55. But beginning in 2023, the voucher system would be put in place. Beneficiaries could choose between “a traditional fee-for-service option” and the voucher. Those who elect the voucher would receive a fixed amount, which they could use on a “Medicare Exchange” to purchase an insurance plan. The amount would be means-tested and risk-adjusted (that is, it would increase to take into account income, health status, and age). It would be equal to the cost of the “second-least expensive approved plan” or fee-for-service Medicare, whichever is least expensive. Premiums that seniors ultimately paid to insurers would be risk-adjusted as well. Insurers would be required to provide coverage that is “at least the actuarial equivalent package provided by fee-for-service Medicare” (House Budget Committee, 2012, p. 53). The resolution does not specify a savings mechanism; however, some portion (not easily determined) would arise through transfer of costs to beneficiaries (Families USA, 2012).

The Affordable Care Act, a centerpiece of Democratic health policy, aims to reduce Medicare costs while maintaining benefits. The biggest items expected to produce savings are changes designed to improve productivity and other adjustments that affect providers, and cuts to Medicare Advantage plans. The Centers for Medicare and Medicaid Services (n.d.) outlined all cost-saving measures in a recent report. They include:

1. Improving the quality of care, which is projected to generate savings by reducing readmissions, hospital-acquired conditions, bundling payments, and improving quality reporting;
2. Reforming the delivery system through Accountable Care Organizations and Independent Payment Advisory Boards, which is expected to result in substantial cost savings;
3. Adjusting pricing and financial systems through reduced payments to Medicare Advantage plans and through improved productivity, which is expected to account for the lion’s share of ACA Medicare savings; and
4. Fighting waste, fraud, and abuse which, while uncontroversial, is expected to provide a drop in the bucket.

When it comes to Medicare, we face significant unknowns. At this time, it is unclear, if Romney is elected, to what extent the measures outlined in the Path to Prosperity would indeed be implemented. Likewise, it is unclear, if President Obama is re-elected, whether the savings projected from the Affordable Care Act will indeed materialize. As social workers, perhaps the best we can do is advise our clients (and at times our colleagues) based on existing law and do our best to get out the vote.

INTRODUCTION TO THE ISSUE

With our last issue of 2012, the editors of *Journal of Gerontological Social Work* are pleased to bring you a series of offerings with direct relevance to social work practice, particularly in long-term care. First, John G. Cagle and Jean C. Munn (2012) provide a systematic review of the literature on long-distance caregiving, noting their important contributions to care, as well as the unique challenges faced by this group. Our second article, by Kimberly M. Cassie (2012), examines organizational and individual characteristics associated aggressive behavior among nursing home residents. Kristin R. Baughman and her colleagues (2012) report on their study of how long-term care managers (both social workers and nurses) approach advance care planning. Jennifer C. Greenfield and her colleagues (2012) in Missouri provide a brief report that offers an intriguing finding: caregivers actually seemed to benefit from volunteer activities more than non-caregivers. In a Practice Forum article, Terri Lewinson and her colleagues (2012) from Georgia used a Photovoice methodology to explore the elements of home experienced by residents of assisted living facilities. The issue closes with Becky J. Beringer's (2012) review of *Health Care Reform and American Politics*, a 2010 book by Lawrence R. Jacobs and Theda Skocpol that examines the history and politics behind passage of the Affordable Care Act.

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