

Laudable Provisions in Fiscal Commission Health Care Recommendations

Some Commission Health Care Recommendations Point In the Right Direction

While the final [report](#) from the bipartisan National Commission on Fiscal Responsibility and Reform fell short of recommending the necessary repeal of the Patient Protection and Affordable Care Act, there are some provisions that show the promise of realigning incentives for consumers and reducing the federal government's role in health care.

Says Federal Health Care Spending Is “Single Largest Fiscal Challenge”

- **“Federal health care spending represents our single largest fiscal challenge over the long-run....**Under its extended-baseline scenario, CBO projects that federal health care spending for Medicare, Medicaid, the Children's Health Insurance Program (CHIP), and the health insurance exchange subsidies will grow from nearly 6 percent of GDP in 2010 to about 10 percent in 2035, and continue to grow thereafter.”
- **These projections likely understate the true amount, because they count on large phantom savings** – from a scheduled 23 percent cut in Medicare physician payments that will never occur and from long-term care premiums in an unsustainable program (the Community Living Assistance Services and Supports Act, or “CLASS Act”).”

Supports Repealing Ticking Time Bomb In New Health Care Law

- “The Community Living Assistance Services and Supports (CLASS) Act established a voluntary long-term care insurance program enacted as part of the Affordable Care Act (ACA). The program attempts to address an important public policy concern – the need for non-institutional long-term care – **but it is viewed by many experts as financially unsound. ...Absent reform, the program is therefore likely to require large general revenue transfers or else collapse under its own weight**, Commission advises the CLASS Act be reformed in a way that makes it credibly sustainable over the long term. **To the extent this is not possible, we advise it be repealed.**”

Calls for “Aggressive” Medical Malpractice Reforms

- “Most experts agree that the current tort system in the United States leads to an increase in health care costs. This is true both because of direct costs – higher malpractice insurance premiums – and indirect costs in the form of over-utilization of diagnostic and related services (sometimes referred to as “defensive medicine”). **The Commission recommends an aggressive set of reforms to the tort system.**”
- “Many members of the Commission also believe that we should impose statutory caps on punitive and non-economic damages, and **we recommend that Congress consider this approach and evaluate its impact.**”

Addresses a Paid-For Doc-Patch Left Out of New Health Care Law

- **“The Commission believes that this amount – or the cost of any “doc fix” – must be fully offset**, and recommends enforcing this principle by eliminating its exemption in statutory PAYGO. In the near term, we also recommend replacing the reductions scheduled under the current formula with a freeze through 2013 and a one percent cut in 2014.”

Reforms Medicare By Moving to Consumer-Directed Health Care

- **“Because cost-sharing for most medical services is low, the benefit structure encourages over-utilization of health care.** In place of the current structure, the Commission recommends establishing a single combined annual deductible of \$550 for Part A (hospital) and Part B (medical care), along with 20 percent uniform coinsurance on health spending above the deductible.”

- **“The ability of Medicare cost-sharing to control costs – either under current law or as proposed above – is limited by the purchase of supplemental private insurance plans (Medigap plans) that piggyback on Medicare. Medigap plans cover much of the cost-sharing that could otherwise constrain over-utilization of care and reduce overall spending.** This option would prohibit Medigap plans from covering the first \$500 of an enrollee’s cost-sharing liabilities and limit coverage to 50 percent of the next \$5,000 in Medicare cost-sharing. We also recommend similar treatment of TRICARE for Life, the Medigap policy for military retirees, which **would save money both for that program and for Medicare,** as well as similar treatment for federal retirees and for private employer-covered retirees.”

Helps States By Offering More Cost-Control in Medicaid

- **Allow expedited application for Medicaid waivers in well-qualified states.** “In order to give states new flexibility to control costs and improve quality, we recommend increasing the availability of state Medicaid waivers. Specifically, we **recommend establishing presumptive eligibility criteria for up to 10 states over the next decade.** These eligible states would be required to proactively seek out the waiver and to meet certain objective threshold criteria, including: improved quality, efficiency, and cost of care; and not increasing the uninsured population.”
- Place dual eligibles in Medicaid managed care. “Approximately nine million low-income seniors and disabled individuals are covered by both Medicaid and Medicare. **The divided coverage for dual eligibles results in poor coordination of care for this vulnerable population and higher costs to both federal and state governments.** We recommend giving Medicaid full responsibility for providing health coverage to dual eligibles and requiring that they be enrolled in Medicaid managed care programs. Medicare would continue to pay its share of the costs, reimbursing Medicaid. Medicaid has a larger system of managed care than does Medicare, and **this would result in better care coordination and administrative simplicity.**”

Pilots Medicare Premium Support Through Federal Employee’s Health Care Program

- “The Commission **recommends transforming the Federal Employees Health Benefits (FEHB) program into a defined contribution premium support plan that offers federal employees a fixed subsidy that grows by no more than GDP plus 1 percent each year.** For federal retirees, this subsidy could be used to pay a portion of the Medicare premium. **In addition to saving money, this has the added benefit of providing real-world experience with premium support.**”
- **“A voucher or subsidy system holds significant promise of controlling costs....we recommend a rigorous external review process to study the outcomes of the FEHB premium support program to determine its effects on costs, health care utilization, and health outcomes.** Although the population covered by FEHB is different from the Medicare population, **if this type of premium support model successfully holds down costs without hindering quality of care in FEHB program, that experience would be useful in considering a premium support program for Medicare.**”

Highlights Consumer-Driven Policies For Long-Term Reform

- **“If health care costs continue to grow as fast as CBO and the Medicare actuaries project, or even faster as some Commission members believe will be the case, this process will require Congress and the President to consider further actions that make more substantial structural reforms.”**
- **“We recommend the consideration of structural reforms to the health care system. Commissioners have suggested various policy options, including: moving to a premium support system for Medicare....adjusting the federal-state responsibility for Medicaid, such as block grants for acute or long-term care....raising the Medicare retirement age.”**