President Signs Medicare Select Extension Into Law -- Talking Points

- Today President Clinton signed into law H.R. 483, a bill to permit "Medicare Select" policies to be offered to all 50 states. The law will expand choices for Medicare beneficiaries who wish to purchase this new type of Medicare supplemental "Medigap" insurance.

Background

- Medicare Select polices are the same as Medigap policies (private insurance that fills in Medicare gaps in coverage -- copayments, deductibles, etc.) except that they only pay full supplemental benefits if covered services are provided through "preferred providers."

- These policies, currently available through a 15 state Medicare demonstration, are popular among beneficiaries and insurers because they are frequently cheaper than traditional Medigap policies. This is due to the fact that insurers offering these plans can obtain discounts from "select" providers who agree to offer services more cheaply if they are in a more limited pool of "attractive" providers whose services are 100 percent covered by the plan.

- Before H.R. 483 pass the Congress, the Administration took the position that it would prefer to have the results back from the demonstration study PRIOR to supporting a 50-state expansion. (The final study won't be complete until the end of this year.) We wanted to make certain that sufficient quality porvisions were in place and that there were no unexpected costs to the Medicare program itself -- in terms of increased utilization of services.

Legislative Action and the President's Response

- Because of the Select program's popularity, the Congress decided to move ahead and expand the program without waiting for the report on the 15 state demo program. Because the President is committed to expanding choices for Medicare beneficiaries, he decided to go ahead and sign measure into the law.

- We will be monitoring this program closely in the upcoming years to make certain the Select option is delivering on its promise of providing a cost-effective, high quality, and broadly accessible benefit to those Medicare beneficiaries who choose it and the taxpayers who support the Medicare program. If it does not meet this criteria, the HHS Secretary has the authority to terminate the program in three years. If it meets this criteria, the President and the Congress can and should look back at a bipartisan legislative achievement that was consistent with one of the President's Medicare reform priorities: providing more coverage choices to beneficiaries.

E X E C U T I V E O F F I C E O F T H E P R E S I D E N T

23-Jun-1995 12:00pm

TO: (See Below)

FROM: Robert J. Pellicci
Office of Mgmt and Budget, LRD

SUBJECT: Medicare Select Conference Action

House and Senate Conferees agreed yesterday to extend the Medicare Select program to all States for three years -- June 30, 1998. The conference agreement retained the requirement that HHS study the program during this time. The program would become permanent in 1998 unless the Secretary determines that the demonstration program was not meeting certain goals -- cost, access, and quality of care.

The Medicare Select demonstration expires on June 30, 1995.

Distribution:

TO: Nancy-Ann E. Min
TO: Charles S. Konigsberg
TO: Christopher C. Jennings
TO: Diana M. Fortuna
TO: Jennifer L. Klein

CC: Janet R. Forsgren
CC: Mark E. Miller

MEMORANDUM

To: Gene Sperling
Jennifer Klein
Nancy-Ann Min
Jack Lew
Janet Murguia

From: Chris Jennings

Date: March 7, 1995

Re: Medicare Materials

Attached you will find 1) the final cleared Administration letter on Medicare Select; 2) talking points that I believe are consistent with our previous discussions should Bruce Vladeck be pulled into a conversation on Medicare Extenders during tomorrow's mark-up; and 3) Qs & As on the Medicare Secondary Payer issue that may come up (our latest information is that Republicans do not intend on incorporating GAO's recommended changes during the mark-up, but that a question on it may come up).

I think all of the above materials are fine, but want to make sure that you're all okay with it. Please call or e-mail me with any comments. Thank you.

THE SECRETARY OF HEALTH AND HUMAN SERVICES
WASHINGTON, D.C. 20201

March 7,1995

The Honorable Bill Archer
Chairman, Committee on Ways and Means
House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

This letter expresses the Administration's views on H.R. 483, as reported by the Subcommittee on Health. H.R. 483 would make the Medicare SELECT demonstration program permanent and extend it to all States.

Our experience with the Medicare SELECT demonstration should be part of the effort to improve current and future managed care choices under Medicare. We have previously made available the case study portion of the Medicare SELECT evaluation. Other pieces of the evaluation are still in process; these include a survey of SELECT plan enrollee satisfaction and an analysis of SELECT enrollee utilization experience. Preliminary results will not be available until the later part of this summer. We believe that Congress would benefit from a review of the full evaluation results before beginning the deliberations on Medicare SELECT as a permanent program.

The case study portion of the Medicare SELECT evaluation has already raised a number of questions about the Medicare SELECT demonstration. As managed care options under Medicare are expanded, we want to ensure that our beneficiaries are guaranteed choice and appropriate consumer protections. In addition, many of the SELECT plans consist solely of discounting arrangements to hospitals. We would be concerned if the discounting arrangements under Medicare SELECT were to be expanded to Medicare Supplementary Insurance (part B) services. Discounting arrangements, particularly for part B services, may spur providers to compensate for lost revenues through increased service volume. Consequently, we are concerned that such an expansion would lead to increased utilization of part B services, rather than contribute to the efficiency of the Medicare program through managed care. We would therefore oppose such a change.

Given that the Medicare SELECT demonstration is under an expiring authority with an impending deadline, the Administration supports a temporary extension of the 15-State demonstration. Such an extension would provide sufficient time to examine what we have learned from the demonstration and to make needed changes to SELECT based on our findings.

We are committed to working with the Congress to improve and extend the available choices to Medicare beneficiaries so that they have the full range of managed care options enjoyed by the general insured population.

We are advised by the Office of Management and Budget that there is no objection to the presentation of this report from the standpoint of the Administration's program.

Sincerely,

Donna E. Shalala

Extending Current Medicare Policies

- The President's FY 1996 budget proposes to extend four current law Medicare provisions.
  - + The budget contains no new Medicare savings proposals.
- These extenders are provisions that are in effect now but are scheduled to expire unless they are extended.
  - + Without extension, there will be an upward spike in the Medicare spending baseline.
- These extenders do help reduce Medicare spending. But they are not new Medicare cuts; rather these are policies that are currently part of the Medicare program.
  - + Inclusion of these extender provisions in the budget will lower the projected FY96 outlays by $140 million, and the total FY96 through FY2000 outlays by $9.8 bill.
- The President does not intend to propose any new Medicare savings proposals outside the context of health care reform.
  - + We are concerned that new Medicare cuts outside of health care reform will impose new costs on beneficiaries and/or reduce provider payments inducing them to refuse to take Medicare beneficiaries, both without providing additional health security to those on Medicare.
- The President's budget uses the savings from the Medicare extenders for deficit reduction and explicitly not to finance the President's middle-class tax cut.
  - + The Administration's proposed tax cuts of $63.3 billion from 1996 - 2000 are financed by $80.5 billion in reductions to discretionary programs. In addition, $26.2 billion in savings from the second phase of reinventing government, $37.4 billion from mandatory programs, as well as other initiatives will produce another $80.6 billion in deficit savings over the next five years.
- Specifically, the extenders cover:
  - + Medicare Secondary Payor protections which allow the Medicare program to collect payments from primary insurance sources. These expire after FY 1998.
  - + A provision that maintains the Part B premium at 25 percent of program costs. This expires after 1998.

extending current Medicare policies

+ A provision that makes permanent the savings from a two-year temporary freeze on payments for skilled nursing facilities (just like all other freezes in Medicare have worked). This expires after FY95.

+ A similar provision with regard to home health services.

MSP COURT DECISION

QUESTION:

On February 23, the GAO testified before the Ways and Means Health Subcommittee that a recent decision by the Federal Appeals Court would have the effect of limiting recoveries for mistaken payments by Medicare for services for which Medicare should have been the secondary payer. This decision was allowed to stand by the Supreme Court, which decided not to hear the case. The decision would limit recoveries of mistaken payments under the Medicare Secondary Payer (MSP) Data Match project. GAO testified that the Committee needed to modify the law to permit recoveries to be achieved, as projected under the provisions when they were enacted. Does the Administration have a position on this issue?

ANSWER:

- The Administration believes, in light of the recent Supreme Count's action, that changes in the law may be necessary to permit these recoveries and secure the savings for the Medicare program that Congress originally intended.

- However, the matter is complex and since the Supreme Court's decision was only handed down recently we are still analyzing what changes are necessary to achieve this end. Therefore, we are not prepared to take a position at this time.

BACKGROUND:

The Court's decision would affect two aspects of the recovery process.

- First, it would require Medicare to comply with "timely filing" requirements imposed by the insurers on other claimants. This would restrict the amount of time allowed for Medicare to file for recoveries.

- Second, it would not permit Medicare to file claims for recoveries with "third party administrators" (TPAs), which administer self-insured plans for employers. This would require Medicare to seek recoveries directly from employers, a much less efficient process.

THE SECRETARY OF HEALTH AND HUMAN SERVICES
WASHINGTON, D.C. 20201

March 7,1995

The Honorable Bill Archer
Chairman, Committee on Ways and Means
House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

This letter expresses the Administration's views on H.R. 483, as reported by the Subcommittee on Health. H.R. 483 would make the Medicare SELECT demonstration program permanent and extend it to all States.

Our experience with the Medicare SELECT demonstration should be part of the effort to improve current and future managed care choices under Medicare. We have previously made available the case study portion of the Medicare SELECT evaluation. Other pieces of the evaluation are still in process; these include a survey of SELECT plan enrollee satisfaction and an analysis of SELECT enrollee utilization experience. Preliminary results will not be available until the later part of this summer. We believe that Congress would benefit from a review of the full evaluation results before beginning the deliberations on Medicare SELECT as a permanent program.

The case study portion of the Medicare SELECT evaluation has already raised a number of questions about the Medicare SELECT demonstration. As managed care options under Medicare are expanded, we want to ensure that our beneficiaries are guaranteed choice and appropriate consumer protections. In addition, many of the SELECT plans consist solely of discounting arrangements to hospitals. We would be concerned if the discounting arrangements under Medicare SELECT were to be expanded to Medicare Supplementary Insurance (part B) services. Discounting arrangements, particularly for part B services, may spur providers to compensate for lost revenues through increased service volume. Consequently, we are concerned that such an expansion would lead to increased utilization of part B services, rather than contribute to the efficiency of the Medicare program through managed care. We would therefore oppose such a change.

Given that the Medicare SELECT demonstration is under an expiring authority with an impending deadline, the Administration supports a temporary extension of the 15-State demonstration. Such an extension would provide sufficient time to examine what we have learned from the demonstration and to make needed changes to SELECT based on our findings.

We are committed to working with the Congress to improve and extend the available choices to Medicare beneficiaries so that they have the full range of managed care options enjoyed by the general insured population.

We are advised by the Office of Management and Budget that there is no objection to the presentation of this report from the standpoint of the Administration's program.

Sincerely,

Donna E. Shalala

Draft--NOT CLEARED FOR TRANSMITTAL

May __, 1995
(Senate)

H.R. 483, A Bill to Permit Medicare Select Policies to be Offered in All States

The Administration supports a temporary extension of the 15-State Medicare SELECT demonstration program. However, the Administration has concerns about H.R. 483, in its present form, for the reasons stated in the attached letter from Secretary Shalala. The Administration looks forward to working with the Congress on this matter.

* * * * * * *

File # 59

THE SECRETARY OF HEALTH AND HUMAN SERVICES
WASHINGTON, D.C. 20201

March 7,1995

The Honorable Bill Archer
Chairman, Committee on Ways and Means
House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

This letter expresses the Administration's views on H.R. 483, as reported by the Subcommittee on Health. H.R. 483 would make the Medicare SELECT demonstration program permanent and extend it to all States.

Our experience with the Medicare SELECT demonstration should be part of the effort to improve current and future managed care choices under Medicare. We have previously made available the case study portion of the Medicare SELECT evaluation. Other pieces of the evaluation are still in process; these include a survey of SELECT plan enrollee satisfaction and an analysis of SELECT enrollee utilization experience. Preliminary results will not be available until the later part of this summer. We believe that Congress would benefit from a review of the full evaluation results before beginning the deliberations on Medicare SELECT as a permanent program.

The case study portion of the Medicare SELECT evaluation has already raised a number of questions about the Medicare SELECT demonstration. As managed care options under Medicare are expanded, we want to ensure that our beneficiaries are guaranteed choice and appropriate consumer protections. In addition, many of the SELECT plans consist solely of discounting arrangements to hospitals. We would be concerned if the discounting arrangements under Medicare SELECT were to be expanded to Medicare Supplementary Insurance (part B) services. Discounting arrangements, particularly for part B services, may spur providers to compensate for lost revenues through increased service volume. Consequently, we are concerned that such an expansion would lead to increased utilization of part B services, rather than contribute to the efficiency of the Medicare program through managed care. We would therefore oppose such a change.

Given that the Medicare SELECT demonstration is under an expiring authority with an impending deadline, the Administration supports a temporary extension of the 15-State demonstration. Such an extension would provide sufficient time to examine what we have learned from the demonstration and to make needed changes to SELECT based on our findings.

We are committed to working with the Congress to improve and extend the available choices to Medicare beneficiaries so that they have the full range of managed care options enjoyed by the general insured population.

We are advised by the Office of Management and Budget that there is no objection to the presentation of this report from the standpoint of the Administration's program.

Sincerely,

Donna E. Shalala