

Health Care and Education Reconciliation Act of 2010

CRS Summary: Medicare Related Excerpts

SUMMARY AS OF:

3/30/2010--Public Law.

Health Care and Education Reconciliation Act of 2010 - Title I: Coverage, Medicare, Medicaid, and Revenues - Subtitle A: Coverage –

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Subtitle B: Medicare - (Sec. 1101) Amends part D (Voluntary Prescription Drug Benefit Program) of title XVIII (Medicare) of the Social Security Act (SSA) to direct the Secretary of HHS to provide a one-time \$250 rebate in 2010 to all Medicare part D enrollees who enter the Medicare part D coverage gap (also known as the Medicare donut hole, the difference between the standard initial coverage limit and the catastrophic or out-of-pocket coverage threshold for which the Medicare beneficiary is financially responsible).

Amends PPACA to: (1) delay until January 1, 2011, the deadline for establishment of a Medicare coverage gap discount program, as well as the effective date of the requirement that a part D drug manufacturer participate in it; and (2) repeal the increase by \$500 in the 2010 standard initial coverage limit (thus restoring the provisions in effect before enactment of PPACA).

Amends SSA title XVIII, as amended by PPACA, to reduce the coinsurance percentage for covered brand-name and generic drugs to 25% by 2020 (thus closing the donut hole with 75% discounts).

Revises the growth rate of the out-of-pocket cost threshold.

(Sec. 1102) Amends PPACA to repeal: (1) certain provisions concerning Medicare Advantage (MA) payments, benchmarks, and capitation rates; and (2) a requirement that the Secretary analyze the differences in coding patterns between MA and the original Medicare fee-for-service programs, and incorporate the results into risk scores for 2014 and subsequent years.

Amends SSA title XVIII to freeze MA payments in 2011. Reduces MA benchmarks relative to current levels, varying them from 95% of Medicare spending in high-cost areas to 115% of Medicare spending in low-cost areas. Creates an incentive system to increase payments to high-quality plans by at least 5%. Extends the authority of the Centers for Medicare & Medicaid Service to adjust MA risk scores for observed differences in coding patterns relative to fee-for-service.

Repeals the Comparative Cost Adjustment Program under the Medicare Prescription Drug, Improvement, and Modernization Act of 2003.

(Sec. 1103) Requires MA plans whose medical loss ratios are not at least .85 to remit to the Secretary an amount equal to a specified percentage of plan revenue. Requires the Secretary to: (1) prohibit enrollment in such a plan of new enrollees for three consecutive contract years; and (2) terminate the Medicare+Choice contract if the plan fails to have a .85 medical loss ratio for five consecutive contract years.

(Sec. 1104) Amends SSA title XVIII (Medicare), as amended by PPACA, with respect to specified reductions to Medicare disproportionate share hospital (DSH) payments for FY2015 and ensuing fiscal years, especially to subsection (d) hospitals, to reflect lower uncompensated care costs relative to increases in the number of insured. (Generally, a subsection [d] hospital is an acute care hospital, particularly one that receives payments under Medicare's inpatient prospective payment system [IPPS] when providing covered inpatient services to eligible beneficiaries.)

Advances the beginning of such reductions from FY2015 to FY2014. Revises the reduction formula to lower the reduction scheduled to occur over ten years.

(Sec. 1105) Revises the hospital market basket reduction applicable to payments to inpatient hospitals, long-term care hospitals, inpatient rehabilitation facilities, psychiatric hospitals, and outpatient hospitals.

(Sec. 1106) Postpones from August 1, 2010, to December 31, 2010, the date by which physician-owned hospitals must have a provider agreement in order to participate in Medicare under a rural provider and hospital exception to the physician-ownership or -investment prohibition if they also meet certain requirements addressing conflicts of interest, bona fide investments, patient safety issues, and expansion limitations.

Modifies the expansion limitation imposed on such a rural hospital under which the number of operating rooms, procedure rooms, and beds for which the hospital is licensed at any time on or after the enactment of PPACA is no greater than the number of such rooms and beds for which the hospital is licensed as of such date. Allows an exception to the expansion limitation for a high Medicaid hospital that treats the highest percentage of Medicaid patients in their county (and is not the sole hospital in the county).

(Sec. 1107) Revises the special rule in the physician fee schedule for imaging services, in particular the PPACA adjustment in the practice expense relative value units with respect to advanced diagnostic imaging services to reflect a higher presumed utilization rate. Replaces the multiyear phase-in of the assumed utilization rate from 50% to 75% with a flat 75% rate for 2011 and subsequent years.

(Sec. 1108) Modifies the employee wage and rent portions of the practice expense geographic index adjustment for 2010 and subsequent years. Requires such portions to reflect 1/2 (instead of 3/4) of the difference between the relative costs of employee wages and rents in each of the different fee schedule areas and the national average of such employee wages and rents.

(Sec. 1109) Directs the Secretary to provide for a specified payment for FY2011 and FY2012 to qualifying subsection (d) hospitals located in a county that ranks, based upon age, sex, and race adjusted spending per enrollee for Medicare parts A and B benefits, within the lowest quartile of such counties in the United States.

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Subtitle E: Provisions Relating to Revenue –

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(Sec. 1402) Includes net investment income in the Medicare taxable base and imposes a 3.8% tax on such income, beginning in 2013. Excludes from such tax the net investment income of taxpayers with adjusted gross incomes of less than \$200,000 (\$250,000 for joint returns). Defines "net investment income" to

include interest, dividends, annuities, royalties, rents, passive income, and net gain from the disposition of nonbusiness property.

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(Sec. 1407) Delays until 2013 the elimination of the tax deduction for expenses allocable to the Medicare Part D subsidy.

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Full summary available at: <http://thomas.loc.gov/cgi-bin/bdquery/D?d111:3:./temp/~bdX1JE:@@D&summ2=m&/bss/d111query.html>