



## The Facts about the Medicare Premium Increases

### *Facts on the Increases*

- Recently the Department of Health and Human Services (HHS) announced the Medicare premium and deductible amounts to be paid by Medicare beneficiaries in 2005.
- Medicare deductibles and premiums are updated annually in accordance with formulas set by Public Law 105-33, which passed the Senate as part of the Balanced Budget Act in 1997 with an overwhelming bipartisan vote of 85-15. By law, the federal government picks up about 75 percent of the cost of Part B benefits and the remaining 25 percent is paid by the beneficiary.
- The monthly premium paid by beneficiaries enrolled in Medicare Part B will be \$78.20, an increase of \$11.60 (17 percent) over the \$66.60 premium in 2004. The annual Medicare Part B deductible will increase from \$100 to \$110 (10 percent), and will be indexed to growth for Part B expenditures each year thereafter, as required by the Medicare Modernization Act.
- The costs for the government, and thus the taxpayer, are rising under Part B as well because the government picks up 75% under the formula set into the Medicare law.
- Medicare Part B premiums cover physician services, outpatient hospital services, certain home health services, durable medical equipment, and other items.

### *More for Your Money*

- Under the Medicare Modernization Act, Medicare enrollees are benefiting from improved access to physician services, new preventive health screening benefits, and more Medicare Advantage plan choices.
- *“The new premiums reflect an enhanced Medicare that is providing seniors and people with disabilities with strengthened access to physician services and new preventive benefits, such as the new ‘Welcome to Medicare’ physical and screening exams, as well as improved Medicare Advantage plan choices that reduce beneficiaries’ health care costs,”* said CMS Administrator Mark B. McClellan, M.D., Ph.D.

- Preventing the decrease in physician payments accounts for four-fifths of the premium increase attributable to the Medicare Modernization Act. From 1991 through 2005, medical practice costs for physicians, as measured by Center for Medicare and Medicaid Services, will have increased by 41% – while Medicare payments to physicians will have increased by only 18% (and this is an average across all physicians; the problem for many specialties is much worse). In 2005, payment rates for physicians will increase by 1.5 percent instead of the planned 4.5-percent reduction. Physicians are faced with the challenges of skyrocketing malpractice premiums, higher operating expenses, and expensive medical technology; a reduction in their payments would have threatened patient access to their services. This increase will take effect January 2005.
- There was broad agreement that this payment change for physicians was necessary. A survey conducted by the American Academy of Family Physicians in late 2003 found that, while 77% of doctors surveyed were accepting new Medicare patients, this percentage would have dropped to only 36% if the 4.5% Medicare payment cut slated for 2004 had not been averted by the enactment of the Medicare Modernization Act. In fact, both Senator John Kerry and Senator Debbie Stabenow (along with many other Senators of both parties) co-signed a letter to the administration calling for immediate action to prevent payment cuts to physicians.
- Other contributing factors to the increase in premiums are the improvements to the Medicare Advantage program under the Medicare Modernization Act. Among the **new benefits** patients will receive:
  - The inclusion of podiatrists, dentists, and optometrists under private-contracting authority.
  - Initial physical examination for all newly enrolled Medicare beneficiaries beginning in 2005.
  - Cardiovascular screening blood tests.
  - Diabetes screening tests for at-risk individuals.
  - Mammography, glaucoma, prostate cancer, and colorectal cancer screenings.
- ***Finally, the Medicare Modernization Act also will save beneficiaries money.*** The new preventative benefits and reforms in overpayments for drugs will reduce beneficiaries' out-of-pocket expenses by \$270 million in 2005.