

Conservative Initiatives in the Bipartisan Medicare Reform Plan

Health Savings Accounts:

- Dramatic shift toward a private-payer health care system by allowing all Americans – no matter income – to accumulate health dollars tax-free.
- Allow individuals control over their own health care dollars in order to make better medical choices and hold down skyrocketing health care costs.
- Contributions are pre-tax and made by individuals, employers and families.
- Allow annual tax-deductible contributions up to \$2,600 for singles and \$5,150 for families. Those 55 and older can make catch-up contributions up to \$1,000.
- Tax-free savings/interest are portable, from job-to-job and into retirement.
- Money saved can be carried forward year to year to pay for qualified health expenses over one's lifetime, such as insurance premiums and deductibles, prescription drugs, as well as long-term care services and insurance.

Preventive Care & Disease Management:

- Health care has advanced significantly since Medicare was created in 1965, and life-saving drugs cost-effectively treat patients thru preventive care and disease management.
- The monthly cost of Glucophage to help control Diabetes is about \$30 a month, while a single hospitalization for Renal Kidney Failure is \$6,700.
- The annual cost of Lipitor to control cholesterol is \$800, while the average of four annual hospitalizations for Congestive Heart Failure is \$20,000.
- Prescription drugs help save the lives of seniors and control costs in Medicare system.

More Choices for Cost-Effective, Free-Market Health Care Delivery:

- Medicare beneficiaries have the ***Right-to-Choose the Health Care Plan*** that's best for them: traditional fee-for-service, managed care or preferred provider organizations. Major step so Baby Boomers have choices and cost-effective Medicare in 21st Century.
- Provides ***\$18 billion in Tax Relief to Employers*** to deter dropping Retiree Coverage.

Controls Costs through Dynamic Reforms:

- ***Means Testing Medicare Part B Premium*** requires those with higher incomes (singles/above \$80,000 & couples/above \$160,000) to pay higher premiums. This is the first time the cost-containing principle of Means Testing would be included in Medicare.
- ***Part B Deductible Indexed to Inflation*** after being increased to \$110 in 2005. Another first for Medicare to help reduce government expenditures.
- ***Premium Support Demonstration Project*** requires traditional Medicare to compete with private plans in six Metropolitan Statistical Areas.
- Relies on ***Free-Market Competition & Consumer Choice*** to deliver a Medicare drug benefit beginning in 2006, with consumers paying more out-of-pocket if they choose more expensive coverage. Another Medicare first and a model for future reform.
- ***Cost Containment*** requires Presidential and Congressional action if general revenue contributions to Medicare exceed 45% of program spending. Importantly, this is a permanent cap and covers new benefits or expansions added in the future by the President or Congress.