

Statement by Senior Fellow Allyson Schwartz, Senior Fellow Dr. Zeke Emanuel, and Vice President for Health Policy Topher Spiro:

The Center for American Progress supports the Medicare Access and CHIP Reauthorization Act, or MACRA. This bipartisan legislation represents a significant achievement because it reforms Medicare's payment system and maintains critical funding for health care for millions of low-income children, families, and seniors. While we urge Congress to offer amendments that would improve the bill, enactment of this legislation would be far better than resorting to another short-term fix that could put these programs in jeopardy. The addition of the Hyde language restricting abortions is unnecessary and frankly offensive, but we believe the deal is an important step forward.

Unless Congress extends funding for these programs now, they will face tremendous uncertainty and risk and could be held hostage in partisan legislation later in the year. MACRA addresses this serious risk by including the following:

- The bill extends the Children's Health Insurance Program, or CHIP, for two years. Without this extension, about 2 million children would become uninsured, while millions more would lose their current coverage and face higher costs. Importantly, this is a "clean" extension that maintains policies and funding included in the Affordable Care Act—and that does not include detrimental policies or cuts proposed by the Republican leadership in Congress. This clean extension would be a significant feat given the political realities of this Congress and should not be discounted. Even so, we strongly urge Congress to amend MACRA to extend CHIP for at least four years.
- The bill extends funding for community health centers included in the Affordable Care Act. Without this funding, 7.4 million low-income patients—including 4.3 million women—would lose access to health care. While not a change to current policy, the bill applies the Hyde Amendment, which restricts funding for abortions, to this funding. CAP opposes the Hyde Amendment, which harms low-income women, and ultimately wants this temporary restriction to expire for good. The application of the Hyde Amendment is, at best, unnecessary and, at worst, an indication that Republican leadership in Congress will attempt to use every bill to restrict access to abortion, which is unacceptable. In this case, the offensive language does not change policy and—similar to the Hyde Amendment that has always applied to funding for community health centers—is temporary and expires along with the funding to which it applies. Even so, we strongly urge Congress to amend MACRA to remove this language.
- The bill extends the Maternal, Infant, and Early Childhood Home Visiting program for two years. This funding supports evidence-based programs that have been proven to reduce health care costs, improve school readiness, and increase family self-sufficiency and economic security. We strongly urge Congress to amend MACRA to extend this program for at least four years.
- The bill extends the Qualifying Individual Program—which subsidizes Medicare premiums for low-income beneficiaries—permanently.

By permanently correcting Medicare payments to physicians, MACRA at long last provides much-needed certainty and stability to the Medicare program. Importantly, the bill provides financial incentives to reinforce the country's path toward a health care system that rewards value and quality of care.

We recognize that any bipartisan compromise that could be enacted by Congress would need to pay for at least a portion of the additional spending that would result—and that the pay-fors would need to include a roughly equal mixture of cuts to providers and cuts to beneficiaries. We also recognize that the alternative—a never-ending series of short-term patches that are fully paid for—would likely result in deeper and more painful cuts to the Medicare program over time.

On the beneficiary side, MACRA increases Medicare premiums by \$82.50 per month for couples with incomes from \$267,000 to \$428,000 and singles with incomes from \$133,500 to \$214,000. Because this premium

increase is targeted to the top 2 percent of beneficiaries, it is the least objectionable beneficiary cut that could have been included in such a package. The bill does not otherwise increase premiums across the board by \$58 billion, as some have asserted, compared to premium levels under current policy.

MACRA's other beneficiary cut causes us more concern. Currently, about 12 percent of beneficiaries purchase Medigap supplemental policies to cover their out-of-pocket costs. The bill prohibits these policies from covering the deductible for physician services, which is \$147 in 2015. The effect of this change is limited because it goes into effect in 2020 and applies only to new beneficiaries. In addition, because Medigap policies would no longer cover the deductible, premiums for these policies would go down. For most affected beneficiaries, the savings from lower Medigap premiums would actually exceed the costs from deductibles. However, it is possible that hundreds of thousands of beneficiaries with incomes below 300 percent of the federal poverty line would face net costs of less than \$100 per year. We strongly urge Congress to amend MACRA to protect low-income beneficiaries from this change—either by exempting primary care from their deductibles or by expanding cost-sharing subsidies for this targeted group.

While we would like to see this legislation strengthened, as we have recommended above, this compromise legislation takes an important step in Medicare payment reform and ensures continued funding that improves the health and welfare of millions of children, families, and seniors. We urge Congress to enact it.

For more information on this topic or to speak with an expert, contact Tom Caiazza at tcaiazza@americanprogress.org or 202.481.7141.