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# Repealing the Affordable Care Act Would Raise Massachusetts Seniors' Medicare Costs

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## Repealing the Affordable Care Act Would Raise Massachusetts Seniors' Medicare Costs by Approximately \$500 Per Year

Repealing the Affordable Care Act (ACA) would have real and serious consequences on the finances of more than 900,000 Massachusetts seniors and people living with disabilities who are on Medicare.<sup>1</sup> The ACA already has provided tens of millions of dollars in benefits to Massachusetts seniors in just two years. Over the next decade, the ACA is projected to save the average Medicare beneficiary nearly \$5,000, or about \$500 per year. More than 60,000 Massachusetts Medicare beneficiaries with high prescription drug utilization are especially at risk<sup>2</sup>. The ACA is projected to save these seniors and people with disabilities even more, approximately \$17,000 over the next decade, or \$1,700 per year.<sup>3,4</sup>

### ACA in Action for Massachusetts' Seniors

The Affordable Care Act has already provided tens of millions of dollars in benefits to Massachusetts seniors. The law has:

- Lowered drug costs by **\$76 million** for Massachusetts Medicare beneficiaries in just two-and-a-half years.
- Reduced drug costs an average of **\$610 per beneficiary for 31,000 residents** who hit the prescription drug “donut hole” coverage gap *from January through August 2012 alone*.
- Provided no-cost preventive care to **more than a half-million** Massachusetts Medicare beneficiaries in the first eight months of 2012.

Source: <http://downloads.cms.gov/files/Summary-Chart-2010-2012.pdf> and <http://downloads.cms.gov/files/preventive-services-data.pdf>

### The ACA lowers seniors' Medicare premiums and out-of-pocket costs by hundreds of dollars a year by cutting excess Medicare spending and providing no-cost preventive care.

Seniors pay a fixed percent of the total cost of Medicare through their premiums. They also contribute to the costs of their care through deductibles and coinsurance. By reducing overpayments to insurers and providers and incentivizing higher quality care, the ACA creates direct savings for seniors. Their premiums and cost-sharing obligations are already dropping to account for these new efficiencies (see sidebar on page 3).

The ACA also enables seniors to access preventive services, such as mammograms and colonoscopies, at no cost. In 2012, Medicare beneficiaries incurred a \$140 deductible and 20 percent coinsurance for most medical services.<sup>5</sup> However, the ACA eliminated costs for preventive services seniors need to stay healthy. In 2012 alone, more than half a million Bay State seniors have already accessed no-

cost preventive care (see sidebar on this page).

## The ACA achieves hundreds of dollars in additional savings for seniors with high prescription drug use.

### How Does the ACA Reduce Seniors' Premiums?

The non-partisan Congressional Budget Office estimates that between 2013 and 2022, the ACA will save \$716 billion in Medicare spending. It achieves these savings without cutting any Medicare benefits or shifting new costs onto beneficiaries. In fact, the ACA's Medicare efficiencies drive *down* senior's premiums and cost-sharing obligations by hundreds of dollars a year because beneficiaries pay a share of Medicare's overall costs.

To reduce overall Medicare costs, the ACA:

- **Cuts overpayments to Medicare Advantage plans,** the private plans seniors can enroll in rather than traditional Medicare. According to the Medicare Payment Advisory Commission, in 2009 Medicare spent roughly \$14 billion more for beneficiaries enrolled in these private plans than it would have spent if they had stayed in traditional Medicare. These overpayments drive up overall Medicare spending, and are passed on to all Medicare beneficiaries through higher premiums.\* The ACA reduces these overpayments.
- **Reduces payments for hospitals and other providers.** For example, the law slightly lowers what hospitals get reimbursed for certain services over time. Hospitals agreed to these cuts because they would benefit from fewer uncompensated care costs associated with coverage gains in the ACA.
- **Improves incentives for higher quality care.** The ACA includes a variety of payment changes intended to improve care coordination and reduce preventable and costly hospital readmissions and complications, such as medication errors and infections in surgical sites. These changes will improve the quality of life for Massachusetts seniors and drive down health care costs.

\*Source: [http://medpac.gov/documents/Mar10\\_EntireReport.pdf](http://medpac.gov/documents/Mar10_EntireReport.pdf)

Medicare has a coverage gap, called the "donut hole," that leaves tens of thousands of Bay State seniors and adults with disabilities liable to pay the full-cost of their prescription drugs each year.<sup>6</sup> For example, in 2010, once total (Medicare plus the beneficiary's) spending on the beneficiary's drugs reached \$2,800, that beneficiary became responsible for paying the full cost of drug treatments until the beneficiary reached \$4,550 in out of pocket spending on his or her drugs.<sup>7</sup>

The ACA already is closing that gap. In 2012, seniors in the donut hole received a 50 percent discount on brand-name drugs, and they also paid less for generic drugs.

Because of this provision, more than 60,000 Massachusetts Medicare beneficiaries with high prescription drug use already are seeing much higher savings from the ACA than the average person on Medicare.<sup>8</sup> Medicare beneficiaries hitting the donut hole will save \$17,000 on average over the next 10 years, or \$1,700 per year (see table 1 on page 4).

### Repealing the Affordable Care Act Would Cost the Average Massachusetts Medicare Beneficiary Nearly \$500 a Year

If the ACA is repealed, Bay State seniors will pay hundreds of dollars more in premiums and cost-sharing each year, largely to restore unnecessary payments to health insurance companies and to hospitals and other providers. They

once again will be required to pay cost-sharing for important preventive services. These changes would cost the average Massachusetts Medicare beneficiary nearly \$5,000 over the next decade.

Tens of thousands of Massachusetts seniors with high prescription drug use would pay even more after repeal. Because they no longer will be protected against the donut hole coverage gap, repeal would cost them nearly \$17,000 over the next decade, or \$1,700 each year.

**Table 1: Projected Annual Savings per Beneficiary in Traditional Medicare under the Affordable Care Act<sup>9</sup>**

<i>Year</i>	<i>Beneficiary Not Reaching the Donut Hole (in dollars)</i>	<i>Beneficiary Reaching the Donut Hole (in dollars)</i>	<i>All Fee-For-Service Beneficiaries (in dollars)</i>
2013	134	857	209
2014	168	996	251
2015	212	1,152	303
2016	261	1,327	362
2017	310	1,555	426
2018	354	1,799	488
2019	405	2,075	559
2020	462	2,196	623
2021	539	2,386	710
2022	629	2,599	812
<b>Total 2013-2022</b>	<b>3,474</b>	<b>16,942</b>	<b>4,743</b>
<b>Annual Average</b>	<b>347</b>	<b>1,694</b>	<b>474</b>

<sup>1</sup> Total number of Massachusetts residents in Fee for Service Medicare calculated from <http://www.statehealthfacts.org/profileind.jsp?ind=327&cat=6&rgn=23&cmprgn=1> and <http://www.statehealthfacts.org/profileind.jsp?ind=290&cat=6&rgn=23&cmprgn=1>. Throughout this paper, when we refer to Medicare beneficiaries, we are referring to residents in traditional Fee for Service Medicare. The improvements in premiums and cost-sharing outlined in this paper will also occur for the approximately 186,000 Massachusetts beneficiaries enrolled in the Medicare Advantage program. However, there may be other changes to these beneficiaries' costs resulting from the altering of the payment formula for Medicare Advantage plans. This makes the net effect on out-of-pocket costs for Medicare Advantage beneficiaries difficult to quantify. The most recent available data suggest that premiums for Medicare Advantage plans will remain steady. (<http://www.hhs.gov/news/press/2012pres/09/20120919a.html>)

<sup>2</sup> Nearly 66,000 Massachusetts Medicare beneficiaries received the Medicare Part D prescription drug coverage gap discounts in 2011. Source: <http://www.statehealthfacts.org/profileind.jsp?rep=95&cat=6&rgn=23&cmprgn=1>.

<sup>3</sup> Office of the Assistant Secretary for Planning and Evaluation, Department of Health and Human Services, "Estimated Savings of \$5,000 to Each Medicare Beneficiary From Enactment Through 2022 Under the Affordable Care Act". <http://aspe.hhs.gov/health/reports/2012/beneficiariesavings/ib.shtml>.

<sup>4</sup> A small percentage of these Medicare beneficiaries with high prescription drug costs may qualify and be enrolled in Prescription Advantage, a state-funded program in Massachusetts that helps Medicare beneficiaries with their prescription drug costs in the donut hole. This relatively small number of seniors and people living with disabilities will experience fewer savings from the Affordable Care Act, since they already receive help paying for their prescription drug needs.

<sup>5</sup> <http://www.kff.org/medicare/talkingaboutmedicare/ata glance.cfm>

<sup>6</sup> In 2011, nearly 66,000 Massachusetts Medicare beneficiaries hit the donut hole (source: <http://www.statehealthfacts.org/profileind.jsp?rep=95&cat=6&rgn=23&cmprgn=1>.) A small percentage of these Medicare beneficiaries with high prescription drug costs may qualify and be enrolled in Prescription Advantage, a state-funded program in Massachusetts that helps Medicare beneficiaries with their prescription drug costs in the donut hole. This relatively small number of seniors and people living with disabilities will experience fewer savings from the Affordable Care Act, since they already receive help paying for their prescription drug needs.

<sup>7</sup> <http://blog.medicare.gov/2010/08/09/what-is-the-donut%20hole/>

<sup>8</sup> Over 65,000 Medicare beneficiaries received a discount on drugs in the donut hole in 2011, averaging nearly \$600. <http://www.statehealthfacts.org/profileind.jsp?rep=95&cat=6&rgn=23&cmprgn=1>

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<sup>9</sup> Office of the Assistant Secretary for Planning and Evaluation, Department of Health and Human Services, “Estimated Savings of \$5,000 to Each Medicare Beneficiary From Enactment Through 2022 Under the Affordable Care Act”.  
<http://aspe.hhs.gov/health/reports/2012/beneficiarysavings/ib.shtml>

## **About the Community Catalyst Action Fund**

The Community Catalyst Action Fund (CCAF) is committed to ensuring consumers are actively engaged in the decision-making that shapes our health system.

That means providing consumer advocates with the support they need to participate fully and directly in the creation and implementation of laws affecting their access to quality care. It also means making sure that candidates' positions on health care issues are clear and understandable so that the public can make informed choices.

For more information, please visit our website at [actionfund.communitycatalyst.org](http://actionfund.communitycatalyst.org).