



ML Strategies Update

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Health Care Update

Cuts in Mandatory Entitlement Programs Center of Budget Negotiations: As budget negotiators from both sides of the Hill come together to work out a two-year budget deal, determining how sequestration relief will be paid for remains a top priority. In working off President Barack Obama's fiscal year 2016 budget request, \$148 billion is needed for a two-year deal on sequestration relief, or \$74 billion annually. The Democratic position is that the \$74 billion should be split evenly between defense and non-defense spending, but this number could be negotiated at a lower rate.

It is expected that Republicans, in order to pay for the \$38 billion in non-defense spending, will seek cuts to mandatory entitlement programs, particularly for hospitals and drug reimbursements. Considering the President's budget called for \$400 billion in proposed cuts to Medicare, determining \$38 billion in cuts is not expected to be too arduous. Adjusting the Consumer Price Index (CPI) is not expected to be on the table in these negotiations.

Social Security Benefits to Remain Flat in 2016: For the first time since 2011, the amount of money Social Security pays out to beneficiaries will remain the same. Social Security payments are adjusted automatically each year to account for the rate of inflation. This is known as the cost of living adjustment (COLA), which resulted in a 1.7 percent increase in benefits in 2015.

However, while the Social Security Act provides for an automatic increase in benefits if there is an increase in inflation, it does not guarantee one. The cost-of-living adjustment is determined by measuring the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W), which measures prices from the third quarter of the last COLA to the third quarter of the current year. From the third quarter of 2014 to the third quarter of 2015, there was no increase in the CPI-W, meaning there can be no COLA in 2016. For more information on this, please [click here](#).

Medicare Enrollment Season Begins Amid Confusion and Uncertainty

Medicare Part B Premiums Set for Major Increase: In another blow to our nation's seniors this week, absent congressional action, Medicare Part B premiums could increase by as much as 52 percent in 2016. Republican and Democratic staffs continue to discuss a solution, but determining offsets continues to impede progress. Medicare Part B covers doctors' services, outpatient hospital care and some prescription drugs.

While the spike in premiums is significant, the law contains a "hold harmless" provision that protects approximately 70 percent of beneficiaries from paying higher Part B premiums. Those beneficiaries excluded from this provision, which includes dual-eligibles, are the responsibility of state Medicaid programs, which could place an unnecessary burden on states providing care to these individuals.

Senator Ron Wyden (D-OR) introduced legislation which would prevent an increase in Part B premiums and deductibles in 2016; however, the legislation does not include an offset. Democrats want some form of a commitment from Republicans that there is genuine interest in solving this problem before offering an offset, according to POLITICO's Erin Mershon.

If Congress fails to reach an agreement, the Administration could authorize the Department of Health and Human Services to take money from Medicare's contingency reserve, according to the New York Times (http://www.nytimes.com/2015/10/16/us/politics/medicare-premiums-social-security-cost-of-living.html?_r=0). The fund is intended to be utilized when spending is higher than expected.

Stay tuned for updates on this issue in the coming weeks.

Medicare Part D Premiums to Rise in 2016: Last week, the Kaiser Family Foundation published analysis on premiums for seniors' prescription drug in 2016. The analysis concludes that the average premium will increase by 13 percent, the largest increase in seven years. The Centers for Medicare and Medicaid Services say the high costs of specialty drugs are to blame for the increases in recent years. More on this report can be found here: <http://kaiserf.am/1K6OIm8>

All Things ACA

Reconciliation Ready for Floor Action: The House Budget Committee approved a package of legislation that would use reconciliation procedures to repeal several key provisions of the Affordable Care Act. The package would repeal the individual and employer mandates, the medical device tax, the Cadillac tax, as well as eliminate the Independent Payment Advisory Board, which Congress created to control the costs associated with Medicare. Under reconciliation procedures, the vote has to simply pass by a majority vote, avoiding the filibuster rule and ensuring the measure reaches the President's desk, where it faces a certain veto.

Cadillac Tax Impact Will Be Limited at Onset of 2018: The excise tax on high-cost health plans, known as the Cadillac Tax, will initially affect only four percent of people with employer-sponsored coverage, according to the Treasury's Office of Tax Analysis estimates. The new estimates are **much smaller** than other frequently cited figures on the tax's impact. That has not stopped efforts to repeal the tax, with legislation introduced in both chambers receiving bipartisan support.

Co-Ops Struggling as Open Enrollment Nears: The sixth ACA co-op announced this week that it is **shutting down** due to funding shortfalls. This comes two weeks after the Administration announced its decision to pay just 12.6 percent of requested payments for the first year of the risk corridor program, which was designed to shield health plans from the risk of joining the health care exchanges with limited data. With prices set for 2016 plans, insurers big and small are concerned about the level of uncertainty going forward and what it will mean for cost adjustments in 2017.

Provider's to Share Costs to Fund Medicaid Expansion: In 2017, when the federal matching rate for Medicaid drops from 100 percent to 95 percent, states are going to utilize provider taxes and fees to cover the costs of Medicaid expansion, according to the latest Kaiser Family Foundation annual survey of Medicaid directors. To read more on the report, please [click here](#).

Jeb Bush unveils latest ACA replacement: Republican candidate for President Jeb Bush [unveiled](#) his alternative to the Affordable Care Act this week, focusing on key Republican principles such as giving states greater control while capping the federal funding they receive. While details of the proposal have not been released, the proposal appears to lean heavily on innovative initiatives, including proposals included in the House-passed 21st Century Cures Act, an indication that he may be courting Congressional support as the primaries draw near.

Health Insurance for Undocumented Immigrants Gains Traction: Following the first Democratic Presidential Debate, in which the leading candidates endorsed the general idea of providing health care to undocumented immigrants, there is renewed interest in legislation to do just that. Representative Luis Gutierrez (D-IL) introduced H.R. 3659, the Exchange Inclusion for a Healthy America Act of 2015, which would provide undocumented immigrants with access to the Affordable Care Act marketplace and subsidies, so long as can prove their residency and tax-filings. You can read more about the legislation [here](#).

Boring but Important

MedPAC to Weigh In on Alternative Payment Models:

<http://insidehealthpolicy.com/node/85948>

Government Accountability Office (GAO) Will Also Support Efforts:

<http://insidehealthpolicy.com/node/85947>

By Committee:

House Energy and Commerce Committee:

Take up Medicare Face-to-Face Changes

<http://insidehealthpolicy.com/node/85898>

Hearings:

The Subcommittee on Health, chaired by Rep. Joe Pitts (R-PA), has scheduled a hearing for Wednesday, October 21, at 10:15 a.m. in room 2322 of the Rayburn House Office Building. The hearing is entitled, "Examining the Medicare Part D Medication Therapy Management Program." For more information, [click here](#).

The Last Word

Stakeholders Split on Further ACA fixes: After President Obama quietly approved a bipartisan fix to the Affordable Care Act, some stakeholders believe more bipartisan fixes are on the way. The Protecting Affordable Coverage for Employees (PACE) Act repeals the provision that would have required all states to expand their small group markets to include businesses with up to 100 workers. Instead, states maintain the option to expand if they so choose. The Congressional Budget Office reports that the bill will save \$400 million over the next decade.

While some small business stakeholders believe this could lead to repealing the Cadillac tax, restoring the forty-hour work week, or enacting legislation regarding the use of Health Reimbursement Arrangements, some health experts remain skeptical that action will occur. For more on this, please proceed to [Inside Health Policy](#).

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