

For immediate response

November 13, 2012

AMA Adopts Policy Aimed at Strengthening Medicare for Current and Future Generations

CHICAGO – The American Medical Association (AMA), the nation’s largest and most influential physician group, voted today at its semi-annual policymaking meeting to adopt policy recommending a set of principles that should be included in a Medicare defined contribution system that would enable beneficiaries to purchase the coverage of their choice from among competing health insurance plans, including traditional Medicare.

“With robust patient protections in place to help the most vulnerable beneficiaries, a defined contribution program can help ensure the sustainability of Medicare for current and future generations,” said AMA President-elect Ardis D. Hoven, M.D. “This policy provides the framework to create the needed balance of access, affordability and financing and allows seniors the choice of coverage options that include both traditional Medicare and private insurance plans. We will continue to explore the effects of transitioning Medicare to a defined contribution program on cost and access to care.”

The defined contribution framework described by this new policy would be similar to the health insurance program for federal employees, including members of Congress. Traditional Medicare, with improvements like caps on out of pocket spending, would remain an option for all Medicare beneficiaries.

Competing private plans would be subject to regulations to ensure beneficiaries were protected from eroding benefits and increasing out-of-pocket costs and would have access to reliable and meaningful health insurance coverage. Private plans would be required to provide coverage that is at least the actuarial equivalent of the benefit package provided by traditional Medicare and would be required to meet guaranteed issue and guaranteed renewability requirements.

Defined contribution amounts would be set at the value of the government’s contribution under traditional Medicare. Lower income and sicker beneficiaries would receive larger defined contributions to ensure affordability of coverage for all beneficiaries. Contribution amounts would be adjusted annually based on changes in health care costs and the cost of obtaining health insurance so that the value of a Medicare defined contribution remains stable over time.

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Strengthening Medicare for Current and Future Generations

1. That it be the policy of our American Medical Association that a Medicare defined contribution program should include the following:
 - a. Enable beneficiaries to purchase coverage of their choice from among competing health insurance plans, which would be subject to appropriate regulation and oversight to ensure strong patient and physician protections.
 - a. Preserve traditional Medicare as an option.
 - a. Offer a wide range of plans (e.g., HMOs, PPOs, high-deductible plans paired with health savings accounts), as well as traditional Medicare.
 - a. Require that competing private health insurance plans meet guaranteed issue and guaranteed renewability requirements, be prohibited from rescinding coverage except in cases of intentional fraud, follow uniform marketing standards, meet plan solvency requirements, and cover at least the actuarial equivalent of the benefit package provided by traditional Medicare.
 - a. Apply risk-adjustment methodologies to ensure that affordable private health insurance coverage options are available for sicker beneficiaries and those with higher projected health care costs.
 - a. Set the amount of the baseline defined contribution at the value of the government's contribution under traditional Medicare.
 - a. Ensure that health insurance coverage is affordable for all beneficiaries by allowing for adjustments to the baseline defined contribution amount. In particular, individual defined contribution amounts should vary based on beneficiary age, income and health status. Lower income and sicker beneficiaries would receive larger defined contributions.
 - a. Adjust baseline defined contribution amounts annually to ensure that health insurance coverage remains affordable for all beneficiaries. Annual adjustments should reflect changes in health care costs and the cost of obtaining health insurance.

a. Include implementation time frames that ensure a phased-in approach.

1. That our AMA advocate that any efforts to strengthen the Medicare program ensure that mechanisms are in place for financing graduate medical education at a level that will provide workforce stability and an adequate supply of physicians to care for all Americans.
1. That our AMA reaffirm Policies H-330.896, "Strategies to Strengthen the Medicare Program," H-385.961, "Medicare Private Contracting," D-390.986, "Medicare Balance Billing," H-165.833, "Amend the Patient Protection and Affordable Care Act (PPACA)" H-165.852, "Health Savings Accounts," and H-185.974, "Parity for Mental Illness, Alcoholism, and Related Disorders in Medical Benefits Programs."
1. That our AMA rescind Policy H-330.898, "Long-Term Funding of Medicare," Policy D-330.917, "Medicare Reform Financing," and Policy D-330.916, "Medicare Financing Reform."
1. That our AMA continue to explore the effects of transitioning Medicare to a defined contribution program on cost and access to care