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Social Security and Medicare

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## **Fact Sheet: Medicare Provisions in the President's FY 2009 Budget**

### **Summary**

The President's budget proposes a number of legislative and administrative cuts to the Medicare program, for a combined cut of \$183 billion over five years. The legislative cuts total \$12.4 billion in FY 2009 and \$178 billion over the next five years and administrative cuts total \$645 million in FY 2009 and \$4.7 billion over the next five years. Most importantly, the President's budget includes \$556 billion in cuts over the next ten years and over \$10 trillion in cuts over the next 75 years.

### **Provider Cuts**

The budget makes significant cuts to a variety of Medicare payments received by inpatient hospitals, outpatient hospitals, hospices, ambulance services, skilled nursing facilities, inpatient rehabilitation facilities, home health agencies, and ambulatory surgical centers. These cuts total \$7.2 billion in FY 2009 and \$113 billion over the next five years. The President's budget also recommends preventing Medicare from paying for power wheel chairs and oxygen rentals for more than 13 months. These provisions would cut payments by \$290 million in FY 2009 and \$3.7 billion over the next five years. The budget proposes to stop reimbursing hospitals and skilled nursing facilities for co-pays and deductibles that Medicare beneficiaries do not pay. Currently, Medicare pays 70% of unpaid beneficiary cost-sharing. This provision would cut payments by \$250 million in FY 2009 to \$8.5 billion over the next five years.

### **Provider Cuts Linked to 45% Cap**

The President's budget proposes a cut in provider payments linked to a cap on Medicare financing. One of the provisions in the prescription drug law required the trustees to project the point at which general revenues will finance at least 45 percent of Medicare's outlays. If the trustees project in two consecutive reports that the 45 percent cap will be reached in the next six years, it triggers Presidential action and Congressional review. At that time, the President is required to submit a proposal that would likely require severe Medicare cuts to reduce general revenue financing. According to the last two Trustees' Reports, the 45 percent cap will be reached in the next six years. Consequently, the President's budget proposes an automatic reduction in the rate of general revenue financing. The reduction would begin as four-tenths of a percent reduction to all payments to providers in the year the threshold is exceeded, and would grow by four-tenths of a percent every year the shortfall continued to occur.

### **Expansion of Medicare Means - Testing**

The President once again proposes to eliminate the inflation-adjusted thresholds for the means-testing of Part B premiums. A provision in the prescription drug law requires Medicare beneficiaries with more than \$82,000 of annual income (or couples with more than \$164,000) to pay higher Part B premiums in 2008 and later years. These income thresholds are increased each year to reflect inflation. President Bush proposes to eliminate these adjustments, so that more people would have to pay the higher premiums each year. In his FY 2009 budget, the President also recommends means-testing Medicare Part D premiums. His budget proposes to means-test Part D using the same income thresholds for the means-tested Part B premium. In other words, Medicare beneficiaries making more than \$82,000 and couples making more than \$164,000 will begin to pay higher Part D premiums. And similar to the President's Medicare Part B proposal, the President recommends eliminating the inflation-adjustment, so that over time more middle income seniors pay higher Part D premiums. According to budget documents, the Part B and Part D means testing provisions will raise \$460 million in FY 2009 and over \$5.8 billion in the five-year budget window.

### **Extends QI Program**

The President proposes a one-year extension of the Qualified Individual (QI) program through September 30, 2009. The QI program pays the Medicare Part B premium for seniors with incomes between 120 percent and 135 percent of the poverty line, and resources not exceeding twice the limit for SSI eligibility.

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