

REP. WALLY HERGER (CA-02)

Save and Strengthen Medicare Act of 2012:

One-Page Summary

1. The fiscal cliff negotiations are merely a first step toward solving our nation's major economic challenges. In 2013, Congress and the President must work to enact pro-growth tax reform. We must also recognize that burgeoning entitlement spending is the foremost driver of our escalating debt crisis.
2. Medicare's growth is especially unsustainable. The average senior couple will receive three times the amount of benefits from Medicare as taxes they paid in. Without structural reforms, this reverse pyramid will bankrupt the Medicare program and devour resources available for other national priorities.
3. Congressman Herger introduced the *Save and Strengthen Medicare Act* to help bring attention to the need for structural Medicare reform and to provide actual legislative text that members and outside health experts can analyze, critique, and strengthen as Congress considers this issue further in 2013.
4. The measure repeals ObamaCare's IPAB board, which is authorized to unilaterally impose price controls and de facto rationing of medical care. In contrast to this misguided approach, it lays out five components of reform—each with a history of bipartisan support—based on the principle that cost savings should be driven by doctors and patients. The Act:
 - ✓ Modernizes the Medicare benefit by unifying hospital insurance and medical care and establishing a cap on out-of-pocket costs facing beneficiaries. It also reforms supplemental coverage to make it easier for beneficiaries to receive Medicare coverage from a single plan with a single premium.
 - ✓ Strengthens choice and competition in Medicare by allowing private plans to compete on a level playing field with traditional Medicare. Beneficiaries could keep the coverage they currently have, including traditional Medicare, or choose a different plan. Medicare's premium contribution would be determined through an annual bidding process, similar to the cost-effective and popular prescription drug benefit. The bill contains strict consumer protections to prohibit plans from gaming the system, discriminating against those with pre-existing conditions, or saving money simply by shifting costs to seniors and people with disabilities.
 - ✓ Targets greater financial assistance to low-income beneficiaries by building on the commonsense principle that better-off seniors do not need as much of a government subsidy for their Medicare coverage as beneficiaries with more modest incomes, especially those living in or near poverty.
 - ✓ Reforms the Medicare eligibility age by creating a preferred Medicare age of 67 and indexing it to life expectancy. As people live longer, it's not realistic to work the same number of years while spending more time in retirement. Similar to how Social Security is designed, senior could continue to join Medicare at 65 but those who wait until 67 would receive a larger monthly benefit.
 - ✓ Encourages savings for health expenses during retirement by allowing working Americans to contribute to tax-free Health Individual Retirement Accounts through automatic payroll deductions, with an opt-out for workers who don't want to participate. Americans with HIRAs would maintain full legal ownership of the money in their accounts, and lower-income workers would receive tax credits for participating. After retirement, funds could be withdrawn tax-free to pay for premiums, cost-sharing, long-term care, and other medical expenses.