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To amend title XVIII of the Social Security Act to protect the Medicare program.

IN THE SENATE OF THE UNITED STATES

Mr. LIEBERMAN (for himself and Mr. COBURN) introduced the following bill; which was read twice and referred to the Committee on

A BILL

To amend title XVIII of the Social Security Act to protect the Medicare program.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE; TABLE OF CONTENTS.

(a) Short Title.—This Act may be cited as the “Protecting the Rightfully Owed Medicare Insurance for Seniors and the Elderly (Promise) Act”.

(b) Table of Contents.—The table of contents of this Act is as follows:

Sec. 1. Short title; table of contents.
Sec. 2. Improved benefit structure.
    “See. 1899B. Unified part A and B deductible.
    “See. 1899C. Uniform part A and B coinsurance rate.
Sec. 1899D. Protection against high out-of-pocket expenditures for fee-for-service benefits.
Sec. 3. Prohibition on first-dollar coverage under medigap policies and development of new standards for medigap policies.
Sec. 4. Increase in the Medicare eligibility age.
Sec. 5. Adjustments to Medicare home health prospective payment amounts.
Sec. 6. Reduction of bad debt treated as an allowable cost.
Sec. 7. Requiring higher income individuals to pay more for their share of Medicare part B.
Sec. 8. Increase in Medicare part B premium.
Sec. 9. Requiring higher income individuals to pay more for their share of Medicare part D.
Sec. 10. Physician payment update.

SEC. 2. IMPROVED BENEFIT STRUCTURE.

(a) In General.—Title XVIII of the Social Security Act (42 U.S.C. 1395 et seq.) is amended by adding at the end the following new sections:

"UNIFIED PART A AND B DEDUCTIBLE

"Sec. 1899B. (a) In General.—Notwithstanding any other provision of this title, for a year (beginning with 2014), in the case of an individual entitled to, or enrolled for, benefits under part A or enrolled in part B—

"(1) the amount otherwise payable under part A and the total amount of expenses incurred by the individual during a year which would (except for this section) constitute incurred expenses for which benefits payable under section 1833(a) are determinable, shall be reduced by the amount of the unified deductible under subsection (b); and

"(2) the individual shall be responsible for payment of such amount.

"(b) AMOUNT OF UNIFIED DEDUCTIBLE.—
“(1) IN GENERAL.—The amount of the unified deductible under this section shall be—

“(A) for 2014, $550; or

“(B) for a subsequent year, the amount specified in this subsection for the preceding year increased or decreased by the percentage change in the per capita actuarial value of benefits under parts A and B for such subsequent year.

“(2) Rounding.—If any amount determined under paragraph (1) is not a multiple of $1, such amount shall be rounded to the nearest multiple of $1.

“(c) APPLICATION TO ALL ITEMS AND SERVICES.—The unified deductible under this section for a year shall be applied as follows:

“(1) With respect to items and services covered under part A, such unified deductible shall be applied on the basis of the amount that is payable for such items and services without regard to any copayments or coinsurance and before the application of any such copayments or coinsurance.

“(2) With respect to items and services covered under part B, such unified deductible shall be applied on the basis of the total amount of the ex-
expenses incurred by the individual during a year which would, except for the application of the unified deductible, constitute incurred expenses for which items and services are payable under part B, without regard to any copayments or coinsurance and before the application of any such copayments or coinsurance.

“(3)(A) Except as provided in subparagraph (B), such unified deductible shall be applied with respect to all items and services covered under parts A and B and in lieu of the deductibles described in sections 1813(b) and 1833(b) or otherwise.

“(B) Such unified deductible shall not be applied to preventive services and additional preventive services (as those terms are defined in section 1861(ddd)).

“(d) ANNOUNCEMENT OF UNIFIED DEDUCTIBLE AND ANNUAL OUT-OF-POCKET LIMIT.—The Secretary shall (beginning in 2013) announce (in a manner intended to provide notice to all interested parties) the unified deductible under this section and the annual out-of-pocket limit under section 1899D that will be applicable for the succeeding year.

“UNIFORM PART A AND B COINSURANCE RATE

“SEC. 1899C. (a) IN GENERAL.—Notwithstanding any other provision of this title, in the case of an indi-
individual entitled to, or enrolled for, benefits under part A
or enrolled in part B, after the application of the unified
deductible under section 1899B and subject to the limit
on annual out-of-pocket expenses under section 1899D,
the amount otherwise payable under part A and the total
amount of expenses incurred by the individual during a
year (beginning with 2014) which would (except for this
section) constitute incurred expenses for which benefits
are payable under part B, shall be reduced by a coinsur-
ance of 20 percent of such amount.

“(b) Application to All Items and Services.—
The uniform coinsurance under this section for a year
shall be applied as follows:

“(1) With respect to items and services covered
under part A, such uniform coinsurance shall be ap-
plied on the basis of the amount that is payable for
such items and services.

“(2) With respect to items and services covered
under part B, such uniform coinsurance shall be ap-
plied on the basis of the total amount of the ex-
penses incurred by the individual during a year
which would, except for the application of the unified
deductible, constitute incurred expenses from which
items and services are payable under part B.
“(3)(A) Except as provided in subparagraph (B), such uniform coinsurance shall be applied with respect to all items and services covered under parts A and B and in lieu of any other copayments or co-insurance under such parts.

“(B) Such uniform coinsurance shall not be applied to preventive services and additional preventive services (as those terms are defined in section 1861(ddd)).

“PROTECTION AGAINST HIGH OUT-OF-POCKET EXPENDITURES FOR FEE-FOR-SERVICE BENEFITS

“Sec. 1899D. (a) In General.—Notwithstanding any other provision of this title, in the case of an individual entitled to, or enrolled for, benefits under part A or enrolled in part B, if the amount of the out-of-pocket cost-sharing of such individual for a year (beginning with 2014) equals or exceeds—

“(1) the first threshold annual out-of-pocket limit under subsection (b) but is less than the second threshold annual out-of-pocket limit under subsection (c) for that year, section 1899C(a) shall be applied by substituting ‘5 percent’ for ‘20 percent’; and

“(2) the second threshold annual out-of-pocket limit under subsection (c) for that year, there shall not be any additional reduction under section 1899C
for the remainder of the year (and the individual
shall not be responsible for additional out-of-pocket
cost-sharing incurred during that year).

“(b) First Threshold Annual Out-of-Pocket
Limit.—

“(1) In general.—The amount of the first
threshold annual out-of-pocket limit under this sub-
section shall be—

“(A) for 2014, $5,500; or

“(B) for a subsequent year, the amount
specified in this subsection for the preceding
year increased or decreased by the percentage
change in the per capita actuarial value of ben-
efits under parts A and B for such subsequent
year.

“(2) Rounding.—If any amount determined
under paragraph (1)(A) is not a multiple of $50,
such amount shall be rounded to the nearest mul-
tiple of $50.

“(c) Second Threshold Annual Out-of-Pocket
Limit.—

“(1) Amount.—

“(A) In general.—The amount of the
second threshold annual out-of-pocket limit
under this subsection for a year shall be as follows:

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<table>
<thead>
<tr>
<th>If the modified adjusted gross income is:</th>
<th>The second threshold annual out-of-pocket limit is:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not more than the threshold amount</td>
<td>$7,500</td>
</tr>
<tr>
<td>More than the threshold amount but not more than $107,000</td>
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</tr>
<tr>
<td>More than $107,000 but not more than $160,000</td>
<td>$17,500</td>
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<tr>
<td>More than $160,000</td>
<td>$22,500</td>
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“(B) Threshold amount.—In this subsection, the term ‘threshold amount’ means $85,000.

“(C) Joint returns.—In the case of a joint return, subparagraph (A), under the heading ‘If the modified adjusted gross income is:’ and subparagraph (B) shall be applied by substituting dollar amounts which are twice the dollar amounts otherwise applicable under such heading or under subparagraph (B) for the calendar year. For purposes of the preceding sentence and subparagraph (D), the term ‘joint return’ has the meaning given to such term by section 7701(a)(38) of the Internal Revenue Code of 1986.

“(D) Married individuals filing separate returns.—In the case of an individual who—
“(i) is married as of the close of the taxable year (within the meaning of section 7703 of the Internal Revenue Code of 1986) but does not file a joint return for such year, and

“(ii) does not live apart from such individual’s spouse at all times during the taxable year,

subparagraph (A), under the heading ‘If the modified adjusted gross income is:’, and subparagraph (B) shall be applied by reducing each of the dollar amounts otherwise applicable under such heading or subparagraph (B) for the calendar year by the threshold amount for such year applicable to an unmarried individual.

“(2) MODIFIED ADJUSTED GROSS INCOME.— For purposes of this subsection, the term ‘modified adjusted gross income’ has the meaning given such term in subparagraph (A) of section 1839(i)(4), determined for the taxable year using a process similar to the process under subparagraphs (B) and (C) of such section.

“(3) INFLATION ADJUSTMENT.—

“(A) INCOME.—
“(i) IN GENERAL.—In the case of any calendar year beginning after 2013, each dollar amount in paragraph (1)(A), under the heading ‘If the modified adjusted gross income is:’ and the dollar amount in paragraph (1)(B), shall be increased by an amount equal to—

“(I) such dollar amount, multiplied by

“(II) the percentage (if any) by which the average of the Consumer Price Index for all urban consumers (United States city average) for the 12-month period ending with August of the preceding calendar year exceeds such average for the 12-month period ending with August 2012.

“(ii) Rounding.—If any dollar amount after being increased under clause (i) is not a multiple of $1,000, such dollar amount shall be rounded to the nearest multiple of $1,000.

“(B) SECOND THRESHOLD ANNUAL OUT-OF-POCKET LIMIT.—
“(i) IN GENERAL.—In the case of any calendar year beginning after 2013, each dollar amount in paragraph (1)(A), under the heading ‘The second threshold annual out-of-pocket limit is:’, shall be the amount specified under such heading for the preceding year increased or decreased by the percentage change in the per capita actuarial value of benefits under parts A and B for such subsequent year.

“(ii) ROUNDING.—If any amount determined under clause (i) is not a multiple of $100, such amount shall be rounded to the nearest multiple of $100.

“(d) OUT-OF-POCKET COST-SHARING DEFINED.—

“(1) IN GENERAL.—Subject to paragraph (2), in this section, the term ‘out-of-pocket cost-sharing’ means, with respect to an individual, the amount of expenses incurred by the individual that are attributable to deductibles, coinsurance, and copayments applicable under part A or B, without regard to whether the individual or another person, including a State program or other third-party coverage, has paid for such expenses.
“(2) Items and services not furnished on an assignment-related basis.—If an item or service is furnished to an individual under this title and is not furnished on an assignment-related basis, any additional expenses the individual incurs above the amount the individual would have incurred if the item or service was furnished on an assignment-related basis shall not be considered incurred expenses for purposes of determining out-of-pocket cost-sharing under paragraph (1).”.

(b) Clarification Regarding Application Under Medicare Advantage.—Section 1852(a)(1)(B)(iii) of the Social Security Act (42 U.S.C. 1395w–22(a)(1)(B)(iii)) is amended by adding at the end the following new sentence: “For plan year 2018 and subsequent plan years, the preceding sentence shall be applied to take into account the application of sections 1899B, 1899C, and 1899D.”.

(c) Disclosure of Return Information.—

(1) In general.—Section 6103(l) of the Internal Revenue Code of 1986 (relating to disclosure of returns and returns information for purposes other than tax administration) is amended by adding at the end the following new paragraph:
“(23) Disclosure of return information to carry out Medicare second threshold annual out-of-pocket limit income-related increase.—

“(A) In general.—The Secretary shall, upon written request from the Secretary of Health and Human Services, disclose to officers, employees, and contractors of the Department of Health and Human Services return information of a taxpayer whose second threshold annual out-of-pocket limit (according to the records of the Secretary) may be subject to adjustment under section 1899D of the Social Security Act. Such return information shall be limited to—

“(i) taxpayer identity information with respect to such taxpayer,

“(ii) the filing status of such taxpayer,

“(iii) the adjusted gross income of such taxpayer,

“(iv) the amounts excluded from such taxpayer’s gross income under sections 135 and 911 to the extent such information is available,
“(v) the interest received or accrued during the taxable year which is exempt from the tax imposed by chapter 1 to the extent such information is available,

“(vi) the amounts excluded from such taxpayer’s gross income by sections 931 and 933 to the extent such information is available,

“(vii) such other information relating to the liability of the taxpayer as is prescribed by the Secretary by regulation as might indicate that the taxpayer’s modified gross income is above the threshold amount under section 1899D(c)(1)(B) of the Social Security Act, and

“(viii) the taxable year with respect to which the preceding information relates.

“(B) Restriction on use of disclosed information.—

“(i) In general.—Return information disclosed under subparagraph (A) may be used by officers, employees, and contractors of the Department of Health and Human Services only for the purposes of, and to the extent necessary in, establishing
the appropriate amount of the second
threshold annual out-of-pocket limit under
section 1899D of the Social Security Act.

“(ii) Disclosure to other agencies.—Officers, employees, and contractors of the Department of Health and Human Services may disclose return information with respect to a taxpayer described in subparagraph (A) to officers and employees of the Department of Justice for use in judicial proceedings to the extent necessary to carry out the purpose described in clause (i).”.

(2) Conforming amendments.—(A) Paragraph (3) of section 6103(a) of the Internal Revenue Code of 1986 is amended by striking “or (21)” and inserting “(21), or (23)”.

(B) Paragraph (4) of section 6103(p) of the Internal Revenue Code of 1986 is amended by striking “or (20)” each place it appears and inserting “(20), or (23)”.

(C) Paragraph (2) of section 7213(a) of the Internal Revenue Code of 1986 is amended by striking “or (21)” and inserting “(21), or (23)”.
(d) **Social Security Act Conforming Amendments.**—

(1) Section 1813 of the Social Security Act (42 U.S.C. 1395e) is amended—

(A) in subsection (a), by inserting “Subject to sections 1899B, 1899C, and 1899D:” before paragraph (1); and

(B) in subsection (b), by inserting “Subject to sections 1899B, 1899C, and 1899D:” before paragraph (1).

(2) Section 1833 of the Social Security Act (42 U.S.C. 1395l) is amended—

(A) in subsection (a), in the matter preceding paragraph (1), by inserting “and sections 1899B, 1899C, and 1899D” after “succeeding provisions of this section”;  

(B) in subsection (b), in the first sentence, by striking “Before applying” and inserting “Subject to sections 1899B, 1899C, and 1899D, before applying”;  

(C) in subsection (c)(1), in the matter preceding subparagraph (A), by inserting “subject to sections 1899B, 1899C, and 1899D,” after “this part,”;
(D) in subsection (f), by striking “In establishing” and inserting “Subject to sections 1899B, 1899C, and 1899D, in establishing”; and

(E) in subsection (g)(1), by inserting “and sections 1899B, 1899C, and 1899D” after “paragraphs (4) and (5)”.

(3) Section 1905(p)(3) of the Social Security Act (42 U.S.C. 1396d(p)(3)) is amended—

(A) in subparagraph (B), striking “section 1813” and inserting “sections 1813 and 1899B”; and

(B) in subparagraph (C), by striking “and section 1833(b)” and inserting “, 1833(b), and 1899C”.

SEC. 3. PROHIBITION ON FIRST-DOLLAR COVERAGE UNDER MEDIGAP POLICIES AND DEVELOPMENT OF NEW STANDARDS FOR MEDIGAP POLICIES.

Section 1882 of the Social Security Act (42 U.S.C. 1395ss) is amended by adding at the end the following new subsection:

“(z) Prohibition on First-dollar Coverage and Development of New Standards for Medicare Supplemental Policies.—
“(1) DEVELOPMENT.—The Secretary shall request the National Association of Insurance Commissioners to review and revise the standards for benefit packages under subsection (p)(1), taking into account the changes in benefits resulting from the enactment of the Protecting the Rightfully Owed Medicare Insurance for Seniors and the Elderly (Promise) Act and to otherwise update standards to include the requirements for cost sharing described in paragraph (2). Such revisions shall be made consistent with the rules applicable under subsection (p)(1)(E) with the reference to the ‘1991 NAIC Model Regulation’ deemed a reference to the NAIC Model Regulation as published in the Federal Register on December 4, 1998, and as subsequently updated by the National Association of Insurance Commissioners to reflect previous changes in law and the reference to ‘date of enactment of this subsection’ deemed a reference to the date of enactment of the Protecting the Rightfully Owed Medicare Insurance for Seniors and the Elderly (Promise) Act. To the extent practicable, such revision shall provide for the implementation of revised standards for benefit packages as of January 1, 2014.
“(2) COST SHARING REQUIREMENTS.—The cost sharing requirements described in this paragraph are that, notwithstanding any other provision of law, no medicare supplemental policy may provide for coverage of—

“(A) any portion of the unified deductible under section 1899B(b) for the year; and

“(B) more than 50 percent of the cost-sharing (excluding premiums) otherwise applicable under parts A and B after the individual has met the unified deductible under section 1899B(b) for the year and before the individual has reached the first threshold annual out-of-pocket limit under section 1899D(b) for the year.

“(3) RENEWABILITY.—The renewability requirement under subsection (q)(1) shall be satisfied with the renewal of the revised package under paragraph (1) that most closely matches the policy in which the individual was enrolled prior to such revision.”.

SEC. 4. INCREASE IN THE MEDICARE ELIGIBILITY AGE.

Section 226 of the Social Security Act (42 U.S.C. 426) is amended by adding at the end the following new subsection:
“(k) INCREASING MEDICARE QUALIFYING AGE.—

“(1) IN GENERAL.—Notwithstanding any other provision of law, any reference in this section, title XVIII, or title XIX (insofar as it relates to the eligibility age for Medicare benefits under title XVIII) to ‘age 65’ shall be deemed a reference to the Medicare qualifying age specified in paragraph (2).

“(2) MEDICARE QUALIFYING AGE SPECIFIED.—
The Medicare qualifying age specified in this paragraph is determined as follows:

“(A) In the case of an individual who attains 65 years of age before January 1, 2014, the Medicare qualifying age is 65 years of age.

“(B) In the case of an individual who attains 65 years of age in a year after 2013, and before 2025, the Medicare qualifying age is the Medicare qualifying age specified in this paragraph for the previous year increased by 2 months.

“(C) In the case of an individual who attains 65 years of age in a year after 2024, the Medicare qualifying age is 67 years of age.”.
SEC. 5. ADJUSTMENTS TO MEDICARE HOME HEALTH PROSPECTIVE PAYMENT AMOUNTS.


(b) Acceleration of Rebasing.—Section 1895(b)(3)(A)(iii)(II) of the Social Security Act (42 U.S.C. 1395fff(b)(3)(A)(iii)(II)) is amended—

(1) in the first sentence—

(A) by striking “4-year” and inserting “2-year”; and

(B) by striking “2017” and inserting “2015”; and

(2) in the second sentence, by striking “each year” and inserting “the first year”.

SEC. 6. REDUCTION OF BAD DEBT TREATED AS AN ALLOWABLE COST.

(a) Hospitals.—Section 1861(v)(1)(T) of the Social Security Act (42 U.S.C. 1395x(v)(1)(T)) is amended—

(1) in clause (iv), by striking “and” at the end;

(2) in clause (v)—

(A) by striking “or a subsequent fiscal year”; and
(B) by striking the period at the end and inserting a comma; and
(3) by adding at the end the following:
“(vi) for cost reporting periods beginning during fiscal year 2014, by 60 percent of such amount otherwise allowable,
“(vii) for cost reporting periods beginning during fiscal year 2015, by 80 percent of such amount otherwise allowable, and
“(viii) for cost reporting periods beginning during fiscal year 2016 or a subsequent fiscal year, by 100 percent of such amount otherwise allowable.”.

(b) SKILLED NURSING FACILITIES.—Section 1861(v)(1)(V) of the Social Security Act (42 U.S.C. 1395x(v)(1)(V)) is amended—
(1) by moving subclauses (I) and (II) of clause (i) and subclauses (I) through (IV) of clause (ii) two ems to the right;
(2) in clause (i)—
(A) in subclause (I), by striking “and” at the end;
(B) in subclause (II)—
(i) by striking “or a subsequent fiscal year”; and
(ii) by striking the period at the end and inserting a semicolon; and
(C) by adding at the end the following:
“(III) for cost reporting periods beginning during fiscal year 2014, by 60 percent of such amount otherwise allowable;
“(IV) for cost reporting periods beginning during fiscal year 2015, by 80 percent of such amount otherwise allowable; and
“(V) for cost reporting periods beginning during fiscal year 2016 or a subsequent fiscal year, by 100 percent of such amount otherwise allowable.”; and
(3) in clause (ii)—
(A) in subclause (III), by striking “and” at the end;
(B) in subclause (IV)—
(i) by striking “or a subsequent fiscal year”; and
(ii) by striking the period at the end and inserting a semicolon; and
(C) by adding at the end the following:
“(V) for cost reporting periods beginning during fiscal year 2016, by 60 percent of such amount otherwise allowable;
“(VI) for cost reporting periods beginning during fiscal year 2017, by 80 percent of such amount otherwise allowable; and

“(VII) for cost reporting periods beginning during fiscal year 2018 or a subsequent fiscal year, by 100 percent of such amount otherwise allowable.”.

(c) CERTAIN OTHER PROVIDERS.—Section 1861(v)(1)(W)(i) of the Social Security Act (42 U.S.C. 1395x(v)(1)(W)(i)) is amended—

(1) in subclause (II), by striking “and” at the end;

(2) in subclause (III)—

(A) by striking “a subsequent fiscal year” and inserting “fiscal year 2015”; and

(B) by striking the period at the end and inserting a semicolon; and

(3) by adding at the end the following:

“(IV) for cost reporting periods beginning during fiscal year 2016, by 60 percent of such amount otherwise allowable;

“(V) for cost reporting periods beginning during fiscal year 2017, by 80 percent of such amount otherwise allowable; and
“(VI) for cost reporting periods beginning during fiscal year 2018, by 100 percent of such amount otherwise allowable.”.

SEC. 7. REQUIRING HIGHER INCOME INDIVIDUALS TO PAY MORE FOR THEIR SHARE OF MEDICARE PART B.

(a) IN GENERAL.—Section 1839 of the Social Security Act (42 U.S.C. 1395r) is amended by adding at the end the following new subsection:

“(j) PAYMENT OF UNSUBSIDIZED PART B PREMIUM AMOUNT BY HIGHER INCOME INDIVIDUALS.—

“(1) IN GENERAL.—In the case of an individual whose modified adjusted gross income exceeds the applicable amount described in paragraph (2), the monthly premium determined under subsection (a) for a month after December 2013 shall be equal to the unsubsidized part B premium amount, adjusted as required in accordance with subsections (b), (c), and (f), and to reflect any credit under section 1854(b)(1)(C)(ii)(III).

“(2) APPLICABLE AMOUNT DESCRIBED.—

“(A) IN GENERAL.—For purposes of paragraph (1), subject to subparagraph (C), the applicable amount described in this paragraph is $150,000.
“(B) Joint Returns.—In the case of a joint return, subparagraph (A) shall be applied by substituting a dollar amount which is twice the dollar amount otherwise applicable under such subparagraph for the calendar year.

“(C) Inflation Adjustment.—In the case of any calendar year beginning after 2014, each dollar amount in this paragraph shall be increased as described in subsection (i)(5).

“(3) Definitions.—In this subsection:

“(A) Modified Adjusted Gross Income.—The term ‘modified adjusted gross income’ has the meaning given such term in subparagraph (A) of subsection (i)(4), determined for the taxable year applicable under subparagraphs (B) and (C) of such section.

“(B) Unsubsidized Part B Premium Amount.—The term ‘unsubsidized part B premium amount’ means 200 percent of the monthly actuarial rate for enrollees age 65 and over (as determined under subsection (a)(1) for the year).”.

(b) Conforming Amendments.—(1) Section 1839(b) of the Social Security Act (42 U.S.C. 1395r(b))
(2) The table in section 1839(i)(3)(C) of the Social Security Act (42 U.S.C. 1395r(i)(3)(C)) is amended—

(A) in the second line—

(i) by striking “but not more than $150,000” and inserting “but not more than the applicable amount described in subsection (j)(2)”; and

(ii) by adding a period at the end; and

(B) by striking the third and fourth lines.

(3) Section 1844 of the Social Security Act (42 U.S.C. 1395w) is amended, in each of subsections (a)(1)(C) and (c), by striking “section 1839(i)” and inserting “subsections (i) and (j) of section 1839”.

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to months after December 2013.

SEC. 8. INCREASE IN MEDICARE PART B PREMIUM.

(a) IN GENERAL.—Section 1839(a) of the Social Security Act (42 U.S.C. 1395r(a)) is amended—

(1) in paragraph (3), by inserting “(or, in the case of months after December 2013, the applicable percent determined under paragraph (5))” after “50 percent”; and
(2) by adding at the end the following new paragraph:

“(5) The applicable percent determined under this paragraph is—

“(A) for 2014, 54 percent;
“(B) for 2015, 58 percent;
“(C) for 2016, 62 percent;
“(D) for 2017, 66 percent; and
“(E) for 2018 and subsequent years, 70 percent.”.

(b) Effective Date.—The amendments made by this section shall apply to months after December 2013.

SEC. 9. REQUIRING HIGHER INCOME INDIVIDUALS TO PAY MORE FOR THEIR SHARE OF MEDICARE PART D.

(a) In General.—Section 1860D–13(a) of the Social Security Act (42 U.S.C. 1395w–113(a)) is amended by adding at the end the following new paragraph:

“(8) Payment of unsubsidized part D premium amount by higher income individuals.—

“(A) In general.—In the case of an individual whose modified adjusted gross income exceeds the applicable amount described in section 1839(j)(2) (including application of subparagraph (C) of such section) for the calendar
year, the monthly amount of the beneficiary premium applicable under this section for a month after December 2013 shall be equal to the unsubsidized part D premium amount.

“(B) DEFINITIONS.—In this paragraph:

“(i) MODIFIED ADJUSTED GROSS INCOME.—The term ‘modified adjusted gross income’ has the meaning given such term in subparagraph (A) of subsection (i)(4), determined for the taxable year applicable under subparagraphs (B) and (C) of such section.

“(ii) UNSUBSIDIZED PART D PREMIUM AMOUNT.—The term ‘unsubsidized part D premium amount’ means the national average monthly bid amount (computed under paragraph (4)) for the month.”.

(b) CONFORMING AMENDMENTS.—Section 1860D–13(a)(1) of the Social Security Act (42 U.S.C. 1395w–113(a)(1)) is amended—

(1) in subparagraph (A), by striking “The monthly” and inserting “Except as provided in paragraph (8), the monthly”; and

(2) in subparagraph (G), by inserting “and paragraph (8)” after “and (F)”.

(c) **Effective Date.**—The amendments made by this section shall apply to months after December 2013.

**SEC. 10. PHYSICIAN PAYMENT UPDATE.**

Section 1848(d) of the Social Security Act (42 U.S.C. 1395w–4(d)) is amended by adding at the end the following new paragraph:

“(14) **Update for 2013 and 2014.**—

“(A) **In general.**—Subject to paragraphs (7)(B), (8)(B), (9)(B), (10)(B), (11)(B), (12)(B), and (13), in lieu of the update to the single conversion factor established in paragraph (1)(C) that would otherwise apply for each of 2013 and 2014, the update to the single conversion factor shall be 0 percent.

“(B) **No effect on computation of conversion factor for 2015 and subsequent years.**—The conversion factor under this subsection shall be computed under paragraph (1)(A) for 2015 and subsequent years as if subparagraph (A) had never applied.”.