What Next for Health Reform?
Update

Bill Scanlon
For Osher Lifelong Learning Institute
July 24, 2012
Outline

• Affordable Care Act Implementation
  – What’s been done
  – What’s upcoming

• Managing Medicare Costs
Affordable Care Act
What’s been done

• 64 of 71 provisions scheduled for 2010-2013 implemented
• Notably
  – Employer coverage for family members under 26
  – Preventive services with no cost-sharing
  – Start of closing Medicare drug coverage gap
  – Minimum share of premiums paid in benefits or rebates

Complete list at: http://healthreform.kff.org/timeline.aspx
Affordable Care Act
January 2014

What’s upcoming

• Health insurance changes
• Health exchanges/ marketplaces
• Medicaid expansion

What’s not

• Employer mandate
Affordable Care Act
What’s upcoming
January 2014

Health Insurance Changes

• Guaranteed offer of a policy

• No pre-existing condition exclusions

• Premiums
  – can not be based on health
  – can only vary 3 to 1 with age
  – can be 50% higher for smokers
* In Utah, the federal government will run the marketplace for individuals while the state will run the small business, or SHOP, marketplace.
Insurance Companies and Exchanges

Source: Avalere Health State Reform Insights, July 10, 2013
Insurance Companies and Exchanges

• California
  – Kaiser and Blues offering policies
  – Aetna and United not participating for next 5 years
• United—not in Illinois or Missouri
• Humana—Will be in 14 unidentified states
• CIGNA---Will be in 5-10 unidentified states
• Mississippi
  – 36 of 82 counties (mostly rural and poor) have no plans offered
Insurance Companies and Exchanges

Premium Sticker Shock

40 year old non-smoker Bronze plan (60% actuarial value)

<table>
<thead>
<tr>
<th>City</th>
<th>Monthly Premium</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nashville</td>
<td>$149</td>
</tr>
<tr>
<td>Richmond</td>
<td>$193</td>
</tr>
<tr>
<td>Columbus, OH</td>
<td>$211</td>
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<tr>
<td>Hartford, CT</td>
<td>$242</td>
</tr>
</tbody>
</table>

• Currently, $5,000 deductible plan (50% actuarial value) is $63 per month in Richmond for healthy 40 yr. old non-smoker

NOTES: 1 - Exploring an approach to Medicaid expansion likely to require waiver approval.  2- Discussion of a special session being called on the Medicaid expansion.

SOURCES: Based on KCMU analysis of recent news reports, executive activity and legislative activity in states. Data reported here are as of June 20. It is important to note that per CMS guidance, there is not deadline for states to implement the Medicaid expansion. Requirements for legislation to implement the Medicaid expansion vary across states.
Opting Out of Medicaid
Estimated Impact for States

• Study of 14 states*
  – 3.6 million fewer Insured
  – $8.4 billion less in Federal payments
  – $1 billion more in state spending on uncompensated care

*C.C. Price & C. Ebner, Health Affairs, June 2013.
Medicaid Expansion
Virginia

• Legislature created commission to decide
  – 5 Senators and 5 Delegates
  – Related to reforming program to promote value
  – Met June 17; Scheduled Aug. 19 and Oct. 21

• Current eligibility
  – Childless adults—not eligible
  – Working parents—income below 30% of poverty
  – Non-working parents—income below 25% of poverty
  – Poverty for family of 3 = $ 19,530
Employer Mandate

• Firms of over 50 full time workers (30+ hours per week) must offer coverage that is:
  – Minimum value (pays 60 percent of costs on average)
  – Affordable (Premium less than 9.5 percent of income)

• Penalty
  – Offering No Coverage
    • $2,000 X (number of workers -30)
  – Offering Unaffordable Coverage
    • $3,000 per employee who gets subsidy from health insurance exchange

• Enforcement delay until 2015 announced July 2
What Employers will do???

• “Skinny” Plans
  – Example
    • Preventive services
    • 6 physician visits
    • Generic drugs
    • Xrays/ lab tests
    • No surgery
    • No hospital care

Managing Medicare Costs
Why is Medicare a major focus of fiscal cliff/federal deficit discussions?
What Happened to the Fiscal Cliff

Congressional Budget Office – May 2013

2013 Deficit drops to $642 Billion

<table>
<thead>
<tr>
<th>Year</th>
<th>Deficit as Percent of GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>10.1%</td>
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<tr>
<td>2013</td>
<td>4.0%</td>
</tr>
<tr>
<td>2015</td>
<td>2.1%</td>
</tr>
<tr>
<td>2023</td>
<td>3.5%</td>
</tr>
<tr>
<td>1968-2008</td>
<td>2.4%</td>
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</tbody>
</table>
House Ways and Means Committee
July 11th
Chairman Camp seeking public input on Medicare reform

- Increase Medicare’s eligibility age
- Reduce subsidies to high income seniors
- Revise Medicare cost sharing
Medicare Trustees project Medicare spending to increase as a share of GDP

NOTE: GDP = gross domestic product. These projections are based on the trustees’ intermediate set of assumptions. SOURCE: MedPAC, based on 2012 annual report of the Board of Trustees of the Medicare Trust Funds
Medicare’s Share of Federal Budget Doubles in 50 Years, Exceeds Social Security in 20 Years

Source: CBO Long Term Budget Outlook
Why Medicare should **not** be a major focus of federal spending reductions?

- It’s an entitlement

- Health care will suffer and beneficiaries will be harmed

- *Cutting Medicare spending cuts incomes*
Sources of Medicare Revenues

Medicare Revenues 2011
$529.9 Billion

- General Revenues 42%
- Payroll Tax 37%
- Part B Premiums 13%
- Interest 3%
- Tax on Soc. Sec. Benefits 3%
- States Transfer 1%
- Other 1%
Medicare is becoming more reliant on general revenues

Source: Board of Trustees, 2012 Report of the Hospital Insurance and Supplementary Medical Insurance Trust Funds.
Medicare Benefits Compared to Taxes Paid

<table>
<thead>
<tr>
<th>Turning 65 in</th>
<th>2010</th>
<th></th>
<th>2030</th>
<th></th>
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<tbody>
<tr>
<td></td>
<td>Benefits</td>
<td>Contributions</td>
<td>Benefits</td>
<td>Benefits</td>
</tr>
<tr>
<td>Average Income</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Single Female</td>
<td>3.39</td>
<td>$207,000</td>
<td>3.92</td>
<td>$353,000</td>
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<tr>
<td>Single Male</td>
<td>2.95</td>
<td>$180,000</td>
<td>3.45</td>
<td>$311,000</td>
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<tr>
<td>2 Earner Couple</td>
<td>3.17</td>
<td>$387,000</td>
<td>3.68</td>
<td>$664,000</td>
</tr>
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Source: C.E. Steuerle and C Quakenbush, *Social Security and Medicare Taxes and Benefits over a Lifetime: 2012 Update*, Urban Institute, October 2012
Projected Medicare Spending
Pre and Post PPACA
and with only Population Growth

Billions

$1000

$500

2010 2019

October 25, 2010

Health Care Reform Week Two
OLLI
Institute of Medicine

Unnecessary Health Spending

$750 Billion out of $2.6 Trillion

Institute of Medicine: Best Care at Lower Cost, 2010
Choosing Wisely Campaign

• 26 Physician Specialty Societies have each identified 5 procedures that should not be done routinely

• http://www.choosingwisely.org/doctor-patient-lists/
What's Really Propping Up the Economy

Health care has added 1.7 million jobs since 2001. The rest of the private sector? None.

BY MICHAEL MANDEL
Some Sources of Options to Reduce Medicare Spending

• Bipartisan Policy Center Debt Reduction Task Force (Domenici-Rivlin)--Nov 2010
• National Commission on Fiscal Responsibility and Reform (Bowles-Simpson)--Dec 2010
• House Budget Resolution--Apr 2011
• Senate “Gang of Six”—Jul 2011
• President’s Plan for Economic Growth and Deficit Reduction Sep 2011
• Premium Support (Ryan-Wyden)--Dec 2011
• President’s FY2013 Budget Proposal--Feb 2012
Chairman Camp seeking public input on Medicare reform

- Increase Medicare’s eligibility age
- Reduce subsidies to high income seniors
- Revise Medicare cost sharing
Subsidies to High Income Seniors

- Part B and Part D Premiums are 25% of costs
- Surcharge applied to higher income beneficiaries

<table>
<thead>
<tr>
<th>Individuals with incomes</th>
<th>Couples with incomes</th>
<th>2013 Part B premium per person</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than $85,000</td>
<td>Less than $170,000</td>
<td>$104.90</td>
</tr>
<tr>
<td>$85,000-107,000</td>
<td>$170,000-214,000</td>
<td>$146.90</td>
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<tr>
<td>$107,000-160,000</td>
<td>$214,000-320,000</td>
<td>$209.80</td>
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<tr>
<td>$160,000-$214,000</td>
<td>$320,000-428,000</td>
<td>$272.70</td>
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<tr>
<td>More than $214,000</td>
<td>More than $428,000</td>
<td>$335.70</td>
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Increase Medicare’s Eligibility Age to 67
Life Expectancy at 65

Years

25

20

15

10

5

0

1960  1980  2000  2020  2040

Females

Males
Number of Working Age Persons Per Person 65+

Source: Census Bureau
Where 65 and 66 Year Olds Would Get Insurance Without Medicare

- Current Medicaid Enrollees: 130,000
- New Medicaid Enrollees: 860,000
- New Exchange Enrollees: 1,900,000
- Active Workers: 1,000,000
- Retirees in Employer Plans: 1,100,000

*Assumes States expand Medicaid up to 138% Federal Poverty Level

Source: Actuarial Research Corporation
Change in Out-of-Pocket Spending for 65 and 66 Year Olds if Medicare Eligibility Age is 67

- Average Person spends $700 more

- Persons with incomes less than 300% of Poverty spend less in either Medicaid or exchange

- Active workers spend more ($500 on average)

- Retired persons with incomes greater than 300% of Poverty spend more ($1200-4300)

Source, Kaiser Family Foundation, “Raising the Age of Medicare Eligibility” July 2011
Change Medicare Cost Sharing and Reduce Supplementary Coverage
Current Medicare cost sharing

- Deductible payment for each hospitalization $1184
- $148 per day for days 21-100 in skilled nursing facility
- Deductible for physician and other Part B services of $147 and 20 percent thereafter
- No catastrophic coverage—i.e., no limit on out of pocket costs
Cost-Sharing Liability for Medicare Fee-for-Service Beneficiaries, 2008

$1 to $499: 42%

$500 to $1,999: 36%

$2,000 to $4,999: 16%

$5,000 to $9,999: 4%

$10,000 or more: 2%

Note: The amounts reflect Medicare beneficiaries’ liability but do not reflect what Medicare beneficiaries actually paid out of pocket because most beneficiaries have supplemental coverage that covers all or some of their Medicare cost sharing.

Income Distribution of Persons 65 and older, as percent of poverty, 2010

Sources of supplemental coverage among noninstitutionalized Medicare beneficiaries, 2009

- Medicaid, 12.0%
- Medicare managed care, 27.3%
- Employer sponsored, 31.3%
- Medigap, 21.3%
- Other public, 0.7%
- None, 7.3%

Supplementary Coverage

• Medi-Gap Plans
  – 65% cover all cost sharing (No out of pocket)
  – 4% include beneficiary paying some cost sharing on ambulatory services

• Employer Retiree Plans
  – Often do not cover the Medicare deductible
  – Have co-pays or cost sharing on ambulatory services
Variation in Medicare Spending with Type of Supplemental Coverage

Average Medicare Spending 2009

- None: $6,783
- Employer: $8,530
- Medi-Gap: $9,197
- Medi-Gap & Employer: $10,482

Source: Medicare Payment Advisory Commission
Proposals to Change Cost Sharing and Supplementary Coverage

• Cost Sharing
  – Combine the Part A and Part B deductibles
  – Add a catastrophic cap so Medicare pays all or almost all expenses beyond some amount

• Supplementary Coverage
  – Prohibit plans from covering Medicare deductible and some cost sharing (akin to True Out of Pocket requirement in Part D)
  – Impose a surcharge on Part B premiums for those with first dollar supplemental coverage
Questions