Health Reform and Medicare

Osher Lifelong Learning Institute
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Three Questions

What Does Medicare Look Like Now? - Overview of Current Medicare Benefits

What Do Seniors Think about Health Reform? – (Poll Results from the Kaiser Family Foundation – www.kff.org)

How Will Health Reform (PPACA - Patient Protection and Affordable Care Act) Change Medicare?
Medicare Part A – Hospital Insurance Program

- Inpatient hospital, skilled nursing facility, home health, and hospice care

Cost-sharing requirements:
  - $1,068 deductible for hospital stays, plus daily copayments after 60 days
  - Daily copayments for skilled nursing facility stays

- Entitlement to Part A after 10+ years of payroll taxes
  (FICA Medicare tax was 0.3% initially; now 1.45%)

Medicare Part B – Supplementary Medical Insurance

- Physician visits, outpatient hospital, preventive services, home health

Cost-sharing requirements:
  - $96.40 monthly premium (income-related: up to $353 for income > $214/428k)
  - $135 deductible
  - 20% coinsurance for physician visits, outpatient hospital services, and some preventive services
  - 50% coinsurance for mental health services (phasing down to 20% in 2014)

- Enrollment in Part B is voluntary, with automatic enrollment at age 65 for Social Security recipients (but can opt out)
APPLICATION FOR ENROLLMENT
in the
Supplementary Medical Insurance Program
Under the Social Security Act

PLEASE READ THE ENCLOSED LEAFLET

Harry S Truman
Independence, Missouri

TO GET MEDICAL INSURANCE

CHECK YES

The Federal Government will pay half the cost of this insurance. Your share of the cost ($3) will be deducted from your monthly social security benefits.

IF YOU DO NOT WANT
THIS MEDICAL INSURANCE

CHECK NO

SIGN HERE

Signature by mark (X) must be witnessed below.

SIGNATURE OF WITNESS

ADDRESS OF WITNESS

Do not write in the space above
An alternative to Original Medicare; beneficiaries can enroll in a private plan to receive all Medicare-covered benefits and (often) extra benefits.

Includes HMOs, PPOs, and private-fee-for-service (PFFS) plans.

The government pays private insurers a fixed amount per enrollee.

Medicare pays private health plans on average 14 percent more than traditional Medicare costs.

Medicare Advantage enrollees:
- generally pay the Part B premium.
- sometimes pay a supplemental premium for additional benefits (e.g., vision, dental).
- typically receive drug coverage (Part D).

Nearly a quarter of all Medicare beneficiaries are enrolled in Medicare Advantage plans in 2009.
Medicare Advantage Payments Relative to Traditional Fee-for-Service Medicare, 2009

- All Medicare Advantage Plans: 114%
- Local HMOs: 113%
- Local PPOs: 118%
- Regional PPOs: 112%
- Private Fee-For-Service Plans: 118%
- Special Needs Plans: 116%

Traditional Fee-for-Service Medicare: 100%
Part D is a voluntary benefit offered through private plans
- Stand-alone prescription drug plans to supplement Original Medicare
- Medicare-Advantage prescription drug plans

Beneficiaries in each state have a choice of at least 45 stand-alone drug plans and multiple Medicare Advantage drug plans

The government defined a “standard” benefit, but allows plans to vary benefit design, covered drugs, and cost sharing
- $30.36 average monthly premium (range $10.30-$136.80)
- $295 deductible; 25% coinsurance; $3,454 coverage gap; catastrophic coverage

Additional subsidies for people with low incomes and modest assets
- 9.6 million receiving low-income subsidies in 2009, while 2.6 million low-income beneficiaries are estimated to be eligible but not receiving extra subsidies

90% of beneficiaries now have drug coverage, up from 66% in 2004
- 26.7 million out of 45.2 million beneficiaries are enrolled in a Part D plan (two-thirds in stand-alone drug plans)
- 7.9 million with employer coverage and 6.2 million with other sources of coverage

4.5 million (10%) lack drug coverage
Total Number of Medicare Beneficiaries = 45.2 Million

Total in Part D Plans: 26.7 Million (59%)

Prescription Drug Coverage Among Medicare Beneficiaries, 2009

- No Drug Coverage
- Other Drug Coverage
- Retiree Drug Coverage
- Medicare Advantage Drug Plan
- Stand-Alone Prescription Drug Plan

- 17.5 million (39%)
- 9.2 million (20%)
- 7.9 million (18%)
- 6.2 million (14%)
- 4.5 million (10%)
Standard Medicare Prescription Drug Benefit, 2010

- Enrollee pays 5%
- 15% paid by plan; 80% paid by Medicare
- 100% paid by enrollee

**Beneficiaries with spending in the doughnut hole get $250 rebate in 2010**
- 25% paid by enrollee
- 75% paid by plan
- 100% paid by enrollee

- **Catastrophic coverage limit:** $6,440 in total drug costs ($4,550 out-of-pocket)
- **Coverage gap:** $3,610
- **Initial coverage limit:** $2,830 in total drug costs ($940 out-of-pocket)
- **Deductible:** $310
Medicare Part D Enrollees Who Reached the Coverage Gap in 2007

Excludes Part D Enrollees Who Receive Low-Income Subsidies and Non-Users

Did not reach the coverage gap

74%

Reached the coverage gap

26%
Gaps in Medicare Coverage

Medicare pays less than half (45%) of beneficiaries’ total health and long-term care spending

Medicare does not cover all medical benefits
- No coverage for hearing aids, eyeglasses, or dental care
- Generally does not pay for long-term care

Medicare has high cost-sharing requirements
- Monthly premiums for Part B, Part C, and Part D
- Deductibles for Part A, Part B, and Part D
- Part D coverage gap (“doughnut hole”)

No limit on out-of-pocket spending for benefits
- Median out-of-pocket spending as a share of income rose from 11.9% in 1997 to 16.1% in 2005
Access to Physicians for Medicare Beneficiaries and Privately Insured People, 2005

Source: The Commonwealth Fund
Access Problems Because of Cost

Percent of adults who had any of four access problems due to cost in past year:

- Ages 19–64: 39%
- Ages 65+: 15%
- Medicare, 65+: 15
- Employer, 19–64: 34%
- Individual, 19–64: 39%
- Medicaid, 19–64: 40%
- Medicare, 19–64: 35%
- Uninsured, 19–64: 61%

1Did not fill a prescription; did not see a specialist when needed; skipped medical test, treatment, or follow-up; did not see doctor when sick.
Source: The commonwealth Fund
FIGURE 2B–2
Participation and assignment rates have grown to high levels, 1990–2008

<table>
<thead>
<tr>
<th>Year</th>
<th>Participation rate</th>
<th>Assignment rate</th>
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<tbody>
<tr>
<td>1990</td>
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<td></td>
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<td>2006</td>
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<tr>
<td>2007</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2008</td>
<td></td>
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</tbody>
</table>

Note: Participation rate is the percentage of physicians and limited licensed practitioners who have Medicare participation agreements. Assignment rate is the percentage of allowed charges paid on assignment. The assignment rate for 2008 is not shown; it requires calculations from claims not yet available.

What Seniors Think about Health Reform and Medicare: Poll Results from the Kaiser Family Foundation
As you may know, a new health reform bill was signed into law earlier this year. Given what you know about the new health reform law, do you have a generally favorable or generally unfavorable opinion of it?
Better Off, Worse Off, or About the Same

Do you think seniors, that is those ages 65 and older, will be better off or worse off under the new health reform law, or don’t you think it will make much difference?

Do you think the Medicare program will be better off or worse off under the new health reform law, or don’t you think it will make much difference?

Do you think you and your family will be better off or worse off under the new health reform law, or don’t you think it will make much difference?
Views on Health Reform Law Among Seniors, Over Time

AMONG SENIORS (age 65 and over)

Source: Kaiser Family Foundation Health Tracking Polls
Impact of Health Reform Law on Seniors: By Age

Do you think seniors, that is those ages 65 and older, will be better off or worse off under the new health reform law, or don’t you think it will make much difference?

Total

Better off 36%  No difference 18%  Worse off 36%

65 and over

Better off 23%  No difference 20%  Worse off 48%

Under 65

Better off 39%  No difference 18%  Worse off 33%

Source: Kaiser Family Foundation Health Tracking Poll (conducted July 8-13, 2010)
### Seniors More Likely to See Harm to Medicare

Do you think the Medicare program will be better off or worse off under the new health reform law, or don’t you think it will make much difference?

<table>
<thead>
<tr>
<th></th>
<th>Better off</th>
<th>Won’t make much difference</th>
<th>Worse off</th>
<th>Don’t know/Refused</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total</strong></td>
<td>31%</td>
<td>19%</td>
<td>32%</td>
<td>18%</td>
</tr>
<tr>
<td><strong>65 and over</strong></td>
<td>21%</td>
<td>23%</td>
<td>40%</td>
<td>16%</td>
</tr>
<tr>
<td><strong>Under 65</strong></td>
<td>33%</td>
<td>18%</td>
<td>30%</td>
<td>19%</td>
</tr>
</tbody>
</table>

Source: Kaiser Family Foundation *Health Tracking Poll* (conducted October 5-10, 2010)
Do you think you and your family will be better off or worse off under the new health reform law, or don’t you think it will make much difference?

**Total**
- Better off: 32%
- No difference: 33%
- Worse off: 29%

**65 and over**
- Better off: 20%
- No difference: 37%
- Worse off: 35%

**Under 65**
- Better off: 35%
- No difference: 32%
- Worse off: 27%

Source: Kaiser Family Foundation Health Tracking Poll (conducted July 8-13, 2010)
Many Seniors Anticipate Problems Getting Needed Services Under Medicare

With the new health reform law, do you think it will be easier, harder or about the same as it is now for the average person on Medicare to get the health care services they need?

<table>
<thead>
<tr>
<th></th>
<th>Easier</th>
<th>Same as it is now</th>
<th>Harder</th>
<th>Don’t know/Refused</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total</strong></td>
<td>33%</td>
<td>25%</td>
<td>35%</td>
<td>7%</td>
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<tr>
<td><strong>65 and over</strong></td>
<td>16%</td>
<td>25%</td>
<td>47%</td>
<td>12%</td>
</tr>
<tr>
<td><strong>Under 65</strong></td>
<td>36%</td>
<td>25%</td>
<td>32%</td>
<td>6%</td>
</tr>
</tbody>
</table>

Source: Kaiser Family Foundation *Health Tracking Poll* (conducted September 14-19, 2010)
Why Are Seniors So Skeptical?
Actual Provisions of Health Reform on Medicare
Reduces Medicare spending, with savings from Medicare Advantage plans, health care providers and other sources.

Gross Medicare Savings = $533 billion, 2010-2019

2010 health reform law is projected to reduce the future growth in Medicare spending, 2010-2019

- Baseline Medicare Spending: 6.8 percent
- Spending after health reform: 5.5 percent

<table>
<thead>
<tr>
<th>Year</th>
<th>Baseline Medicare Spending (in $ billions)</th>
<th>Medicare Spending AFTER Health Reform (in $ billions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>$521</td>
<td>$523</td>
</tr>
<tr>
<td>2011</td>
<td>$570</td>
<td>$570</td>
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<tr>
<td>2012</td>
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<td>2013</td>
<td>$635</td>
<td>$617</td>
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<tr>
<td>2014</td>
<td>$696</td>
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<tr>
<td>2015</td>
<td>$725</td>
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<tr>
<td>2016</td>
<td>$787</td>
<td>$732</td>
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<tr>
<td>2017</td>
<td>$819</td>
<td>$748</td>
</tr>
<tr>
<td>2018</td>
<td>$854</td>
<td>$771</td>
</tr>
<tr>
<td>2019</td>
<td>$943</td>
<td>$845</td>
</tr>
</tbody>
</table>
Key Medicare Provisions in 2010 Health Reform Law

Improvements
- Gradually closes Medicare prescription drug coverage gap ("doughnut hole")
- Provides new annual wellness visit with personalized prevention plan
- Eliminates cost-sharing for prevention services
- Boosts payments for primary care

Medicare Savings
- Reduces payments to Medicare Advantage plans
- Reduces payments for hospitals and other medical providers
- Creates new Independent Payment Advisory Board

Delivery system reforms
- New Center for Medicare and Medicaid Innovations
- New Coordinated Health Care Office within CMS for dual eligibles
- Numerous programs, pilots, demonstrations to improve quality and efficiency

New revenues
- Income-related premiums
- Increase in payroll tax
# Seniors’ Familiarity with Medicare Provisions in Health Reform Law

## Elements That Are Included in the Health Reform Law

<table>
<thead>
<tr>
<th>Description</th>
<th>Yes (%)</th>
<th>No (%)</th>
<th>Dk/Ref (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase the premiums some higher income people on Medicare pay to receive coverage for doctor visits and prescription drugs</td>
<td>48</td>
<td>27</td>
<td>25</td>
</tr>
<tr>
<td>Limit future increases in Medicare payments to providers</td>
<td>47</td>
<td>27</td>
<td>26</td>
</tr>
<tr>
<td>Increase Medicare payroll tax on upper income Americans</td>
<td>46</td>
<td>25</td>
<td>29</td>
</tr>
<tr>
<td>Gradually close the Medicare “doughnut hole”</td>
<td>43</td>
<td>27</td>
<td>30</td>
</tr>
<tr>
<td>Reduce Medicare payments to private plans, also known as Medicare Advantage plans, that provide coverage to some people on Medicare</td>
<td>41</td>
<td>25</td>
<td>34</td>
</tr>
<tr>
<td>Eliminate co-pays and deductibles that people previously had to pay for many preventive services under Medicare</td>
<td>27</td>
<td>42</td>
<td>31</td>
</tr>
<tr>
<td>Provide a bonus to physicians who provide primary care services to people on Medicare</td>
<td>24</td>
<td>41</td>
<td>36</td>
</tr>
</tbody>
</table>

## Elements That Are Not Included in the Health Reform Law

<table>
<thead>
<tr>
<th>Description</th>
<th>Yes (%)</th>
<th>No (%)</th>
<th>Dk/Ref (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cut payments to doctors who see Medicare patients</td>
<td>39</td>
<td>35</td>
<td>25</td>
</tr>
<tr>
<td>Cut benefits that were previously provided to all people on Medicare</td>
<td>38</td>
<td>37</td>
<td>25</td>
</tr>
<tr>
<td>Allow a government panel to make decisions about end-of-life care for people on Medicare</td>
<td>30</td>
<td>48</td>
<td>22</td>
</tr>
</tbody>
</table>
Refers to Current Policy for Annual Updates to Physicians’ Fees—The SGR System
Gradually Closes the Medicare Part D Coverage Gap or “Doughnut Hole”

Key Facts

More than half of all Medicare beneficiaries are in Part D plans
3.4 million had spending in the gap in 2007
The gap in 2010 is $3,610 out-of-pocket; enrollees pay 100% in gap

Health Reform

$250 rebate for Part D enrollees with any spending in the gap in 2010
Beginning 2011, 50% discount on brand-name drugs

- In addition, Medicare coverage for generic drugs in the gap phases in

Beginning 2013, Medicare coverage for brand-name drugs in the gap phases in
By 2020, Part D enrollees pay 25% until they qualify for catastrophic coverage
Catastrophic threshold reduced, 2014 - 2019
Standard Medicare Prescription Drug Benefit, 2020

Before and After Health Reform

15% paid by plan; 80% paid by Medicare

100% paid by enrollee

25% paid by enrollee

75% paid by plan

100% paid by enrollee

25% paid by enrollee

75% paid by plan

15% paid by plan; 80% paid by Medicare

Brands:
50% discount
25% paid by plan

Generics:
75% paid by plan

100% paid by enrollee

THE HENRY J.
KAISER
FAMILY
FOUNDATION
Medicare Advantage Provisions

**Key Facts**
- **24% of Medicare beneficiaries now in Medicare Advantage (MA) plans**
- Medicare pays more for beneficiaries in MA plans than in the traditional program
- Higher payments to MA plans allow for some extra benefits, but increases Medicare spending, contribute to solvency problems, and increase Part B premiums for all beneficiaries

**Health reform**
- Reduces payments to plans
  - Freezes benchmarks (maximum Medicare payment per county) for 2011; phases in reductions in payments to align more with fee-for-service costs in county
  - Reduces share of rebate retained by plan from 75% to 50% for most plans (2012)
  - Adjusts risk scores for coding
- Begins to reward plans based on quality ratings (2012)

**Consumer Protections**
- Limits cost-sharing for certain Medicare-covered services (2011)
- Establishes new loss ratios requirements for plans (2014)
Related Revenue Sources

Freezes income threshold for Part B premium at $85,000/individuals and $170,000/couples, rather than index for inflation, effective 2011

Establishes a new income-related Part D premium, with same income thresholds set for Part B, effective 2011

Increases the Medicare Part A tax rate by 0.9% from 1.45% to 2.35% on earnings over $200,000/individuals and $250,000/couples, effective 2013

Eliminates tax deduction for employers receiving the Part D retiree drug subsidy, effective January 1, 2013
# Effective Dates for Key Medicare Provisions

<table>
<thead>
<tr>
<th>Year</th>
<th>PPACA (as amended by HCERA)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>Provider update reductions</td>
</tr>
<tr>
<td>2011</td>
<td>Initial national quality strategy; Make hospital charges public; Medicare and Medicaid Innovation Center (not later than 1/1/2011)</td>
</tr>
<tr>
<td>2012</td>
<td>Productivity offset; ACOs</td>
</tr>
<tr>
<td>2013</td>
<td>Reductions for preventable hospital readmissions; Bundling pilot; Value-based purchasing (VBP); physician misvalued codes</td>
</tr>
<tr>
<td>2014</td>
<td>Medicare and Medicaid DSH reductions; Mandatory quality reporting for IRFs, LTCHs and IPFs; IPAB</td>
</tr>
<tr>
<td>2015</td>
<td>Reductions for hospital-acquired conditions; Independent Payment Advisory Board; physician value-based modifier</td>
</tr>
<tr>
<td>2016</td>
<td>VBP pilot programs for IRFs, LTCHs and IPFs</td>
</tr>
<tr>
<td>2020</td>
<td>1&lt;sup&gt;st&lt;/sup&gt; year that IPAB proposals can affect hospital payment rates</td>
</tr>
</tbody>
</table>
Concluding Comments

There are no easy solutions to Medicare or health system problems—the debate will continue.

- How Medicare fares depends critically on how it compares to other types of insurance.
  - Will Medicare look like Medicaid?
  - Will other insurance plans look like Medicare?

- High health care costs are a problem for all insurance plans, not just Medicare.