



# Health Reform and Medicare

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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](http://www.kff.org))

How Will Health Reform (PPACA - Patient Protection and Affordable Care Act) Change Medicare?



# Benefits Covered by “Original” Fee-for-Service Medicare - 1965



## ■ **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)

488-40-6969-A  
APPLICATION FOR ENROLLMENT  
in the  
Supplementary Medical Insurance Program  
Under the Social Security Act

PLEASE READ THE ENCLOSED LEAFLET

Harry S Truman  
Independence, Missouri

*Do not write in the space above*

TO GET MEDICAL INSURANCE



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



SIGN  
HERE

*Harry S Truman*  
Signature by mark (X) must be witnessed below.

SIGNATURE  
OF WITNESS

ADDRESS  
OF WITNESS



# Medicare Advantage (Part C) - 1997

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

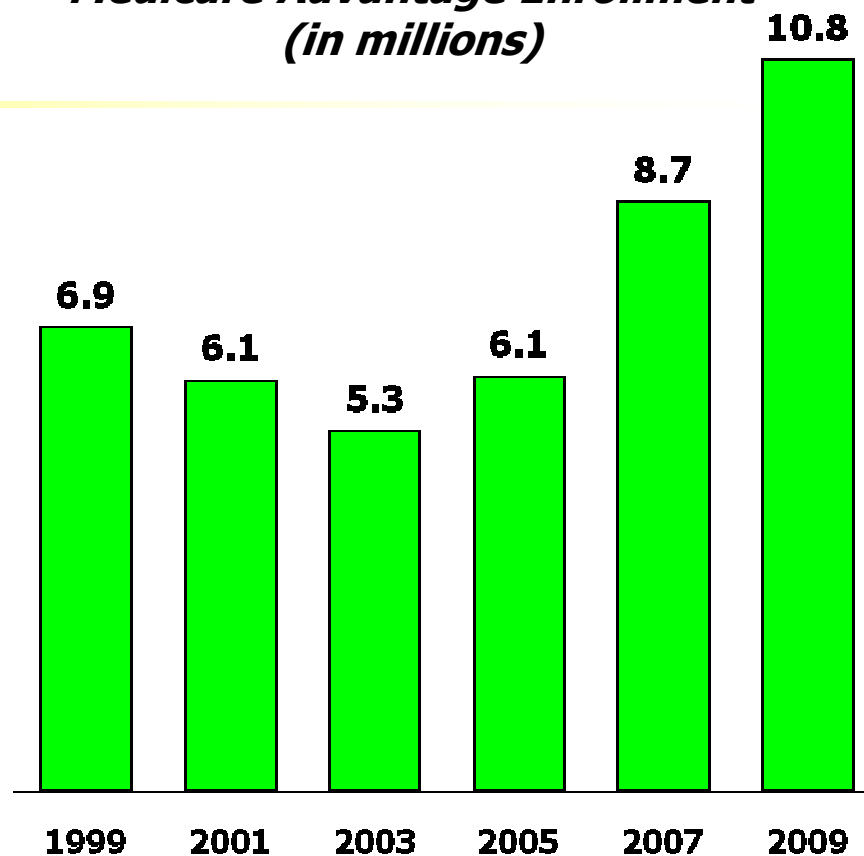
The government pays private insurers a fixed amount per enrollee

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

Medicare Advantage enrollees:

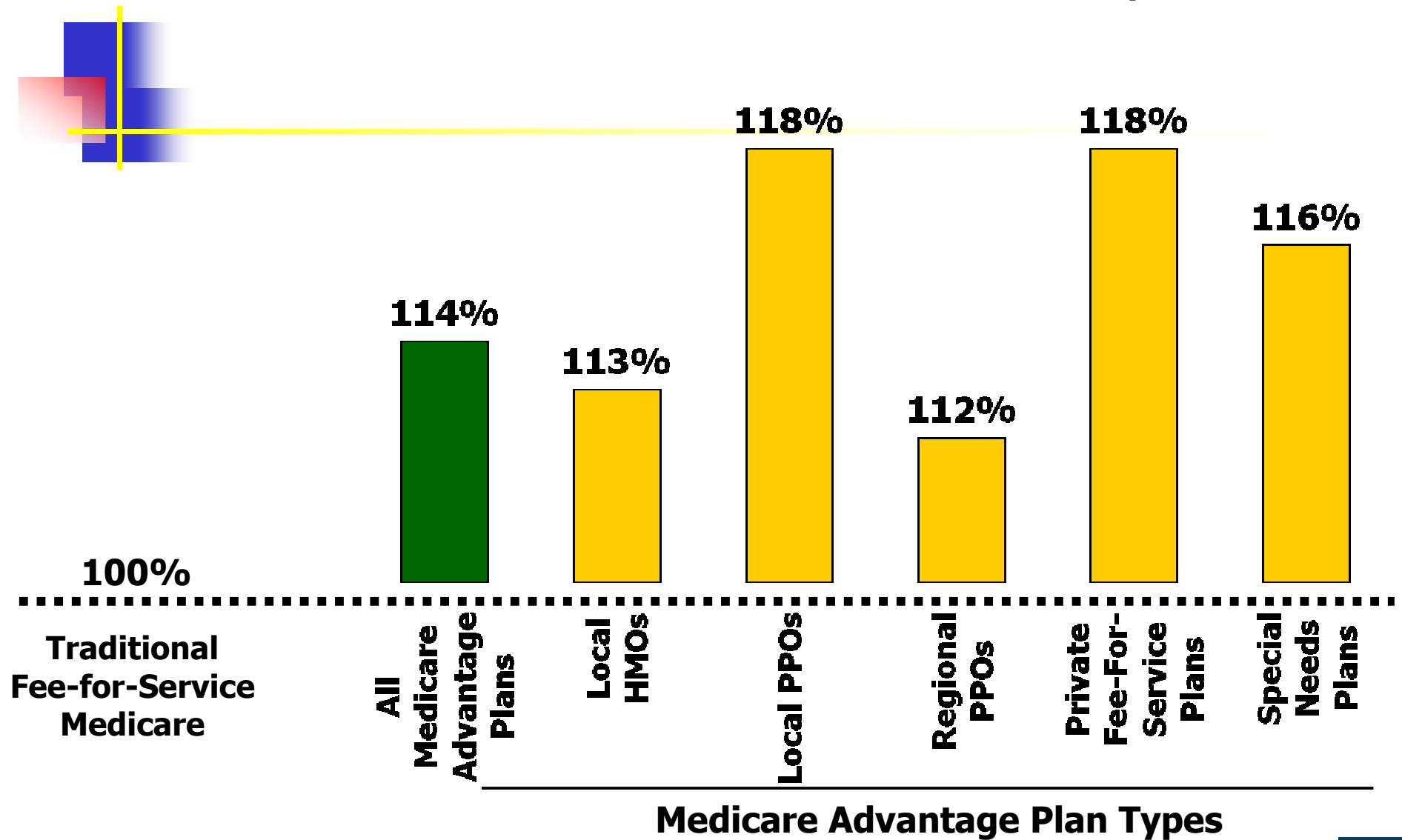
- generally pay the Part B premium
- sometimes pay a supplemental premium for additional benefits (e.g., vision, dental)
- typically receive drug coverage (Part D)

***Medicare Advantage Enrollment  
(in millions)***



**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



# Prescription Drug Benefit (Part D) - 2006



## **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

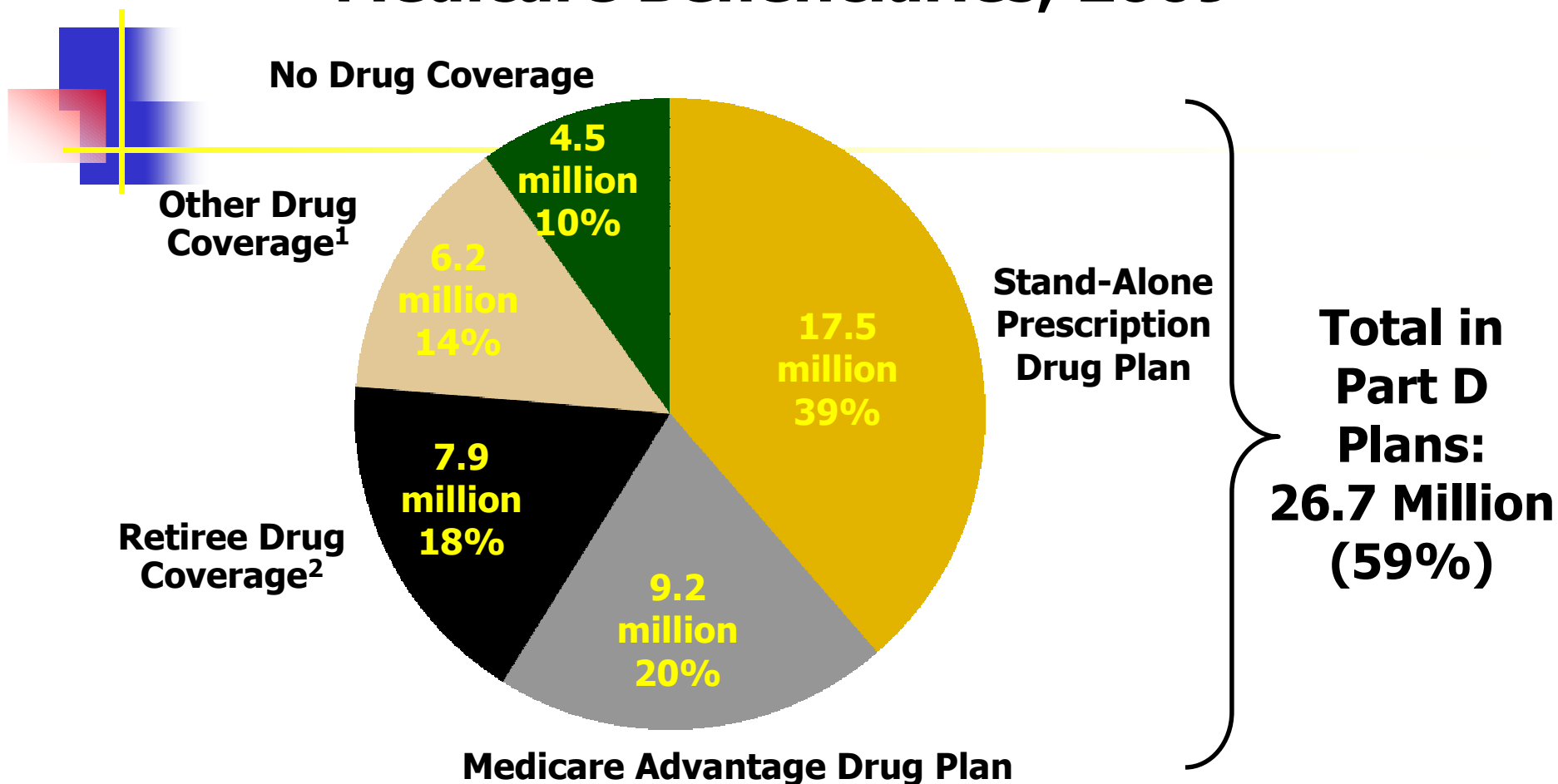
## **90% of beneficiaries now have drug coverage, up from 66% in 2004**

- 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**

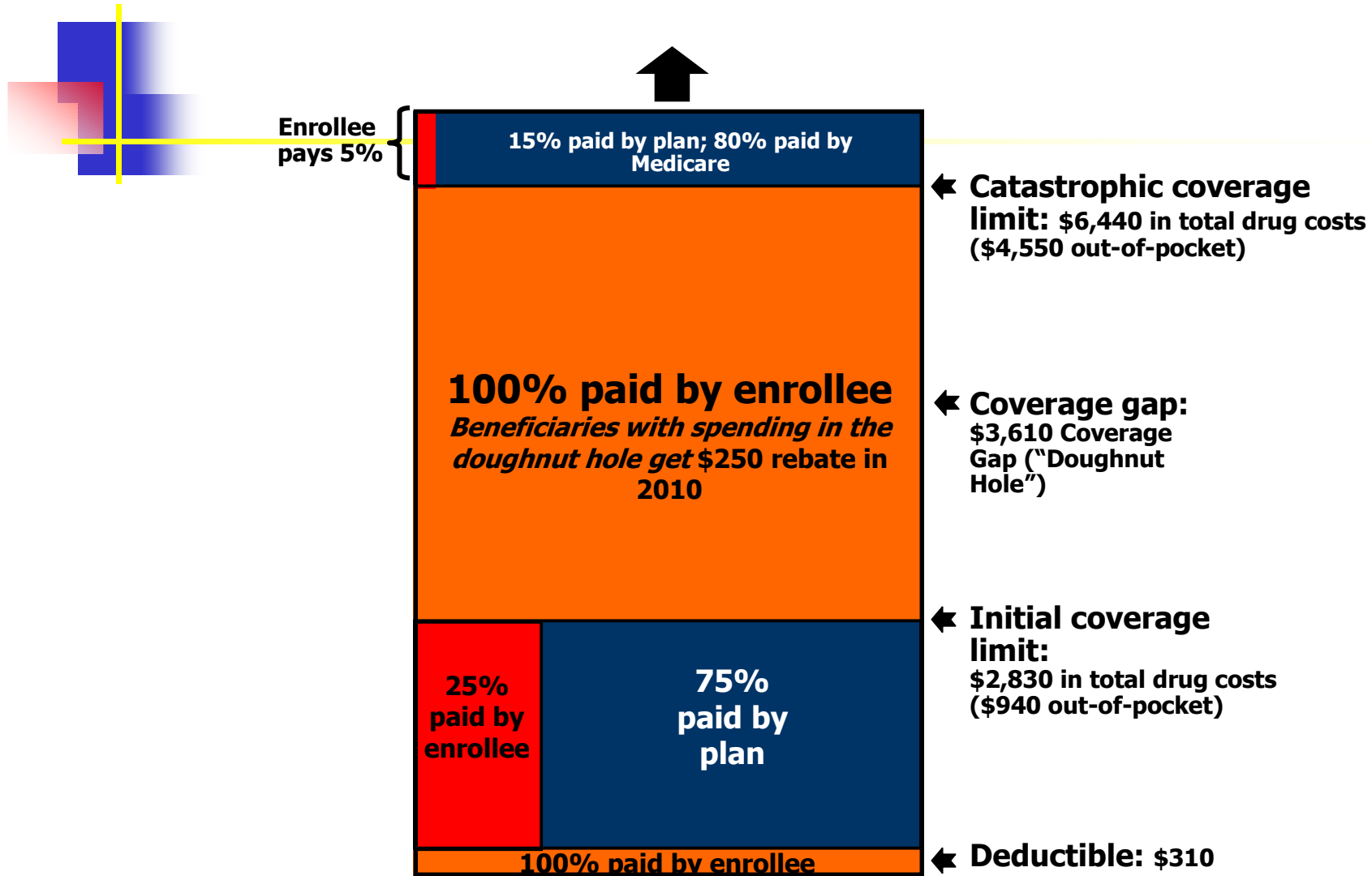


# Prescription Drug Coverage Among Medicare Beneficiaries, 2009



**Total Number of Medicare Beneficiaries = 45.2 Million**

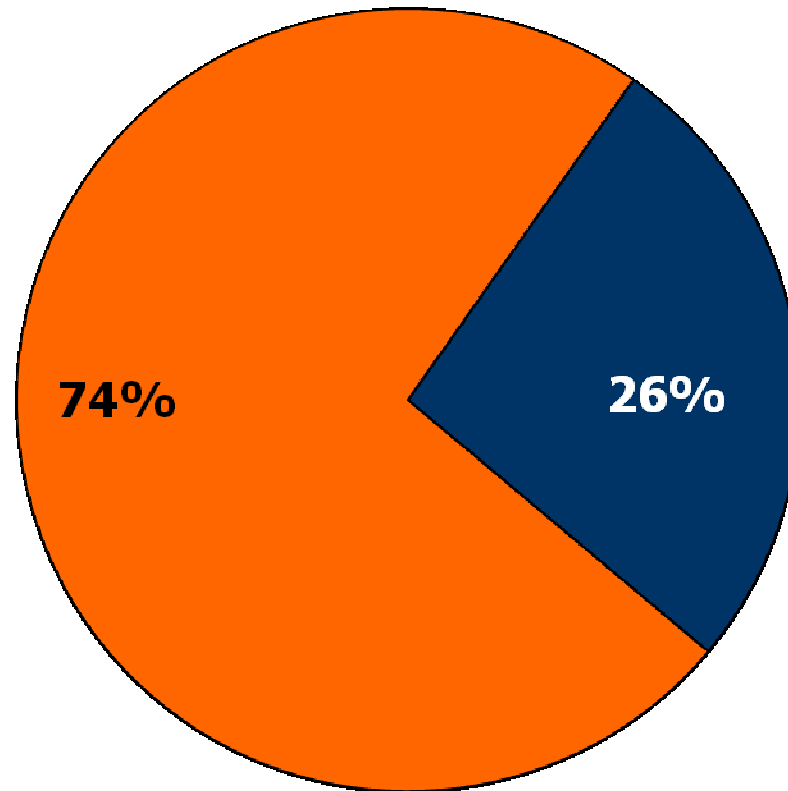
# Standard Medicare Prescription Drug Benefit, 2010



# Medicare Part D Enrollees Who Reached the Coverage Gap in 2007

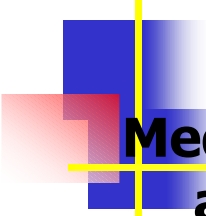
*Excludes Part D Enrollees Who Receive Low-Income Subsidies and Non-Users*

**Did not  
reach the  
coverage  
gap**



**Reached the  
coverage  
gap**

# 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

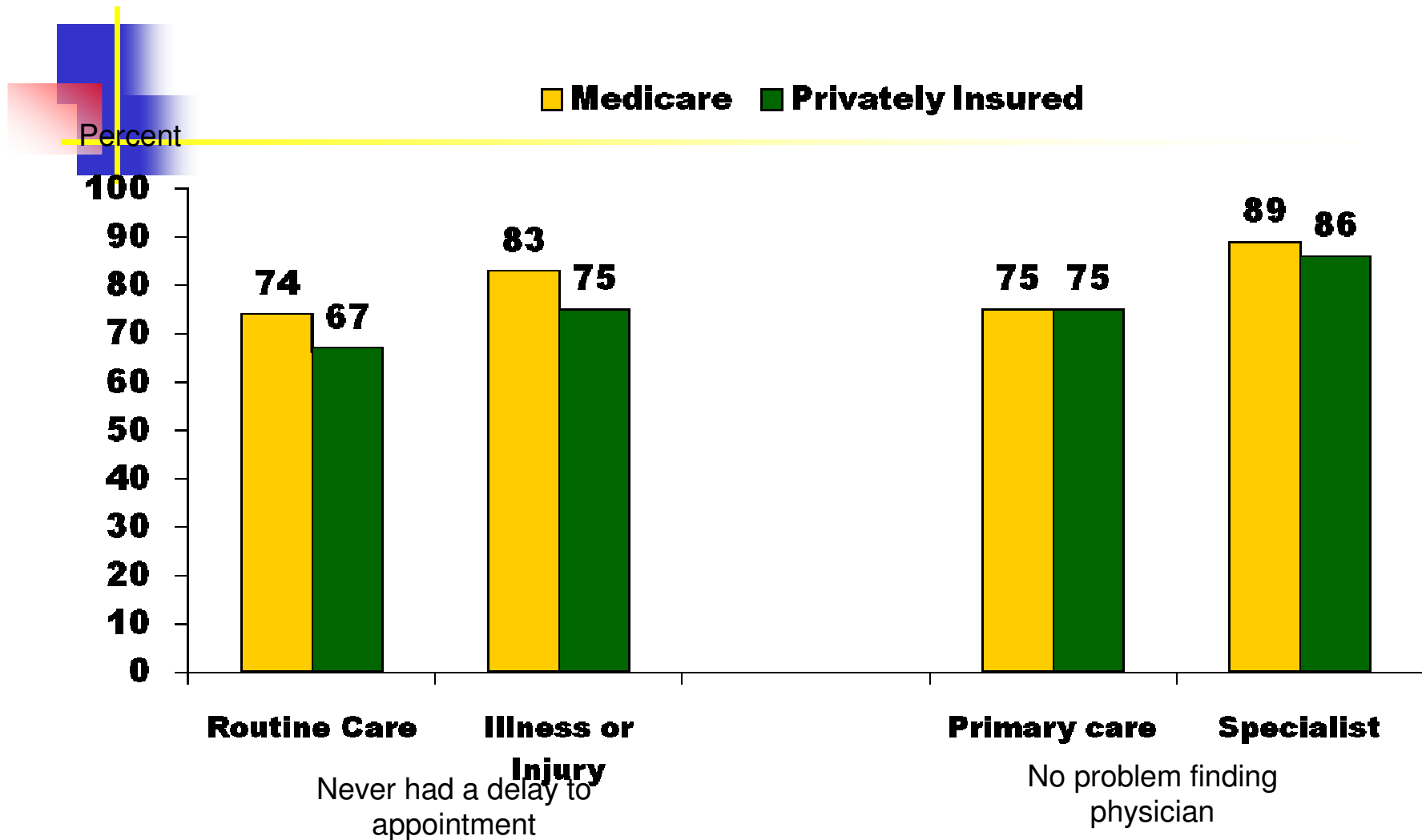
**Medicare has high cost-sharing requirements**

- 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**

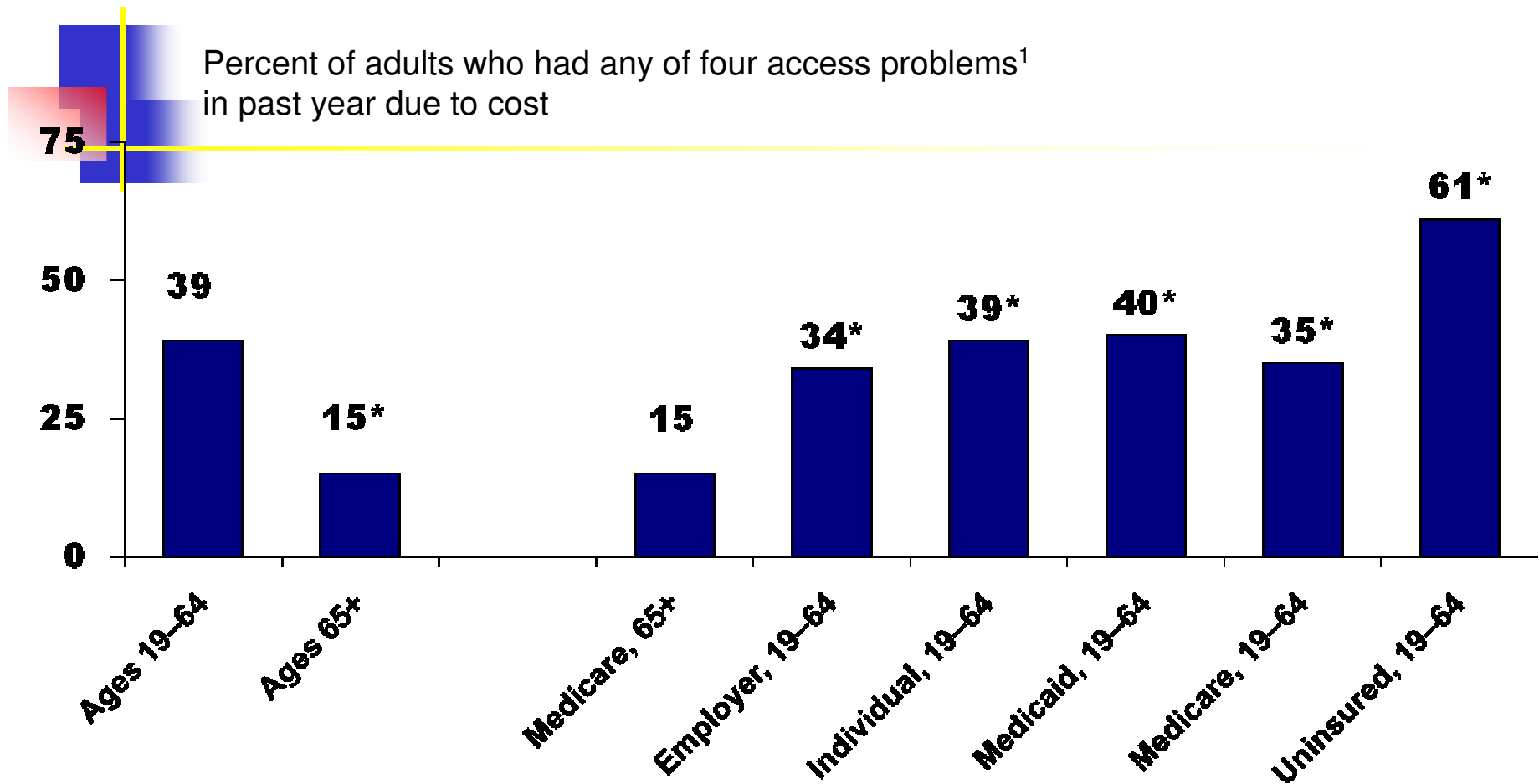
- Median out-of-pocket spending as a share of income rose from 11.9% in 1997 to 16.1% in 2005

# Access to Physicians for Medicare Beneficiaries and Privately Insured People, 2005



Source: The Commonwealth Fund

# Access Problems Because of Cost



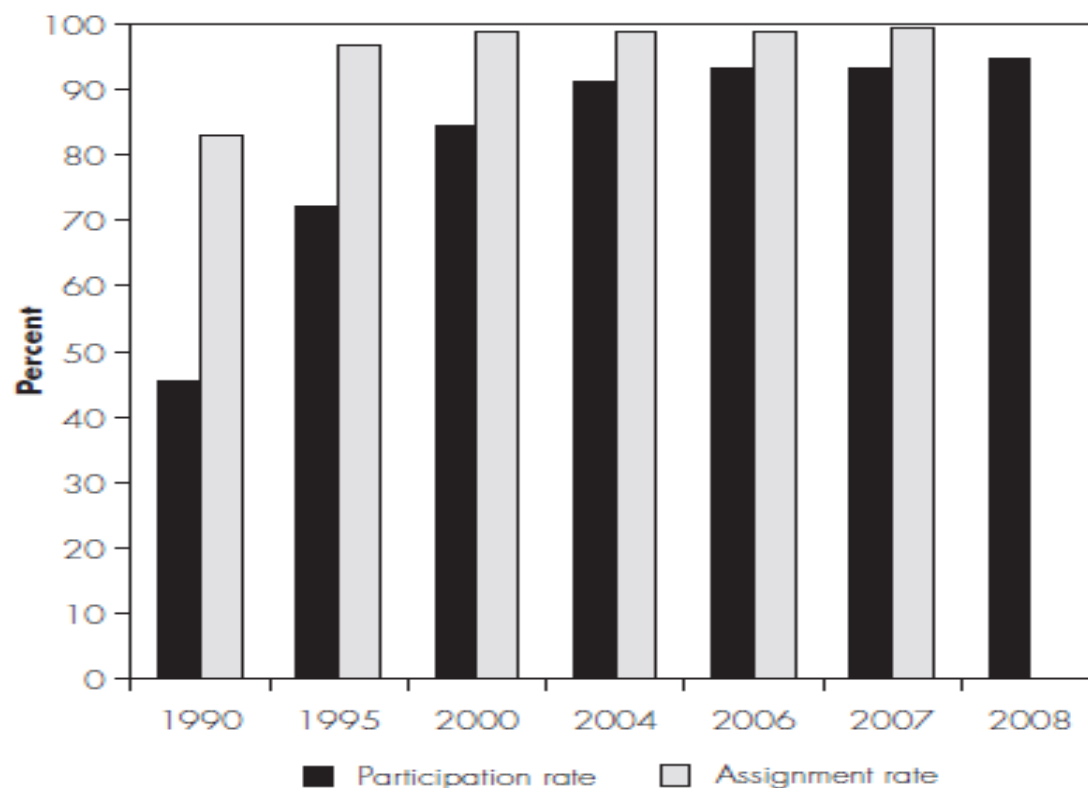
<sup>1</sup>Did not fill a prescription; did not see a specialist when needed; skipped medical test, treatment, or follow-up; did not see doctor when sick.

Source: The commonwealth Fund



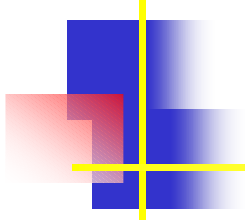
**FIGURE  
2B-2**

**Participation and assignment  
rates have grown to high  
levels, 1990-2008**



**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.

**Source:** Ways and Means Greenbook (2004), unpublished CMS data, and MedPAC analysis of Medicare claims for a 5 percent random sample of Medicare beneficiaries.



# What Seniors Think about Health Reform and Medicare: Poll Results from the Kaiser Family Foundation



# Overall View of Health Reform

**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



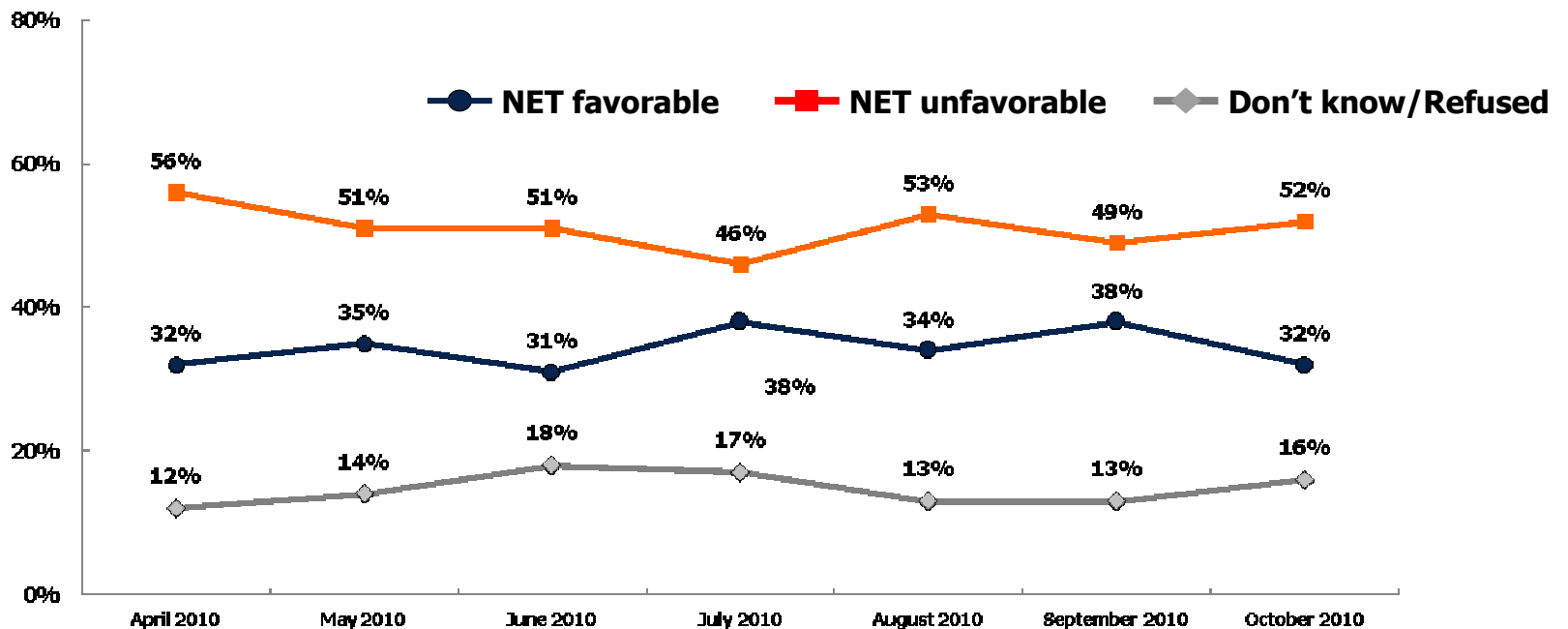
Do you think seniors, that is those ages 65 and older, will be better off or worse off under the new health reform law, or don't you think it will make much difference?

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?

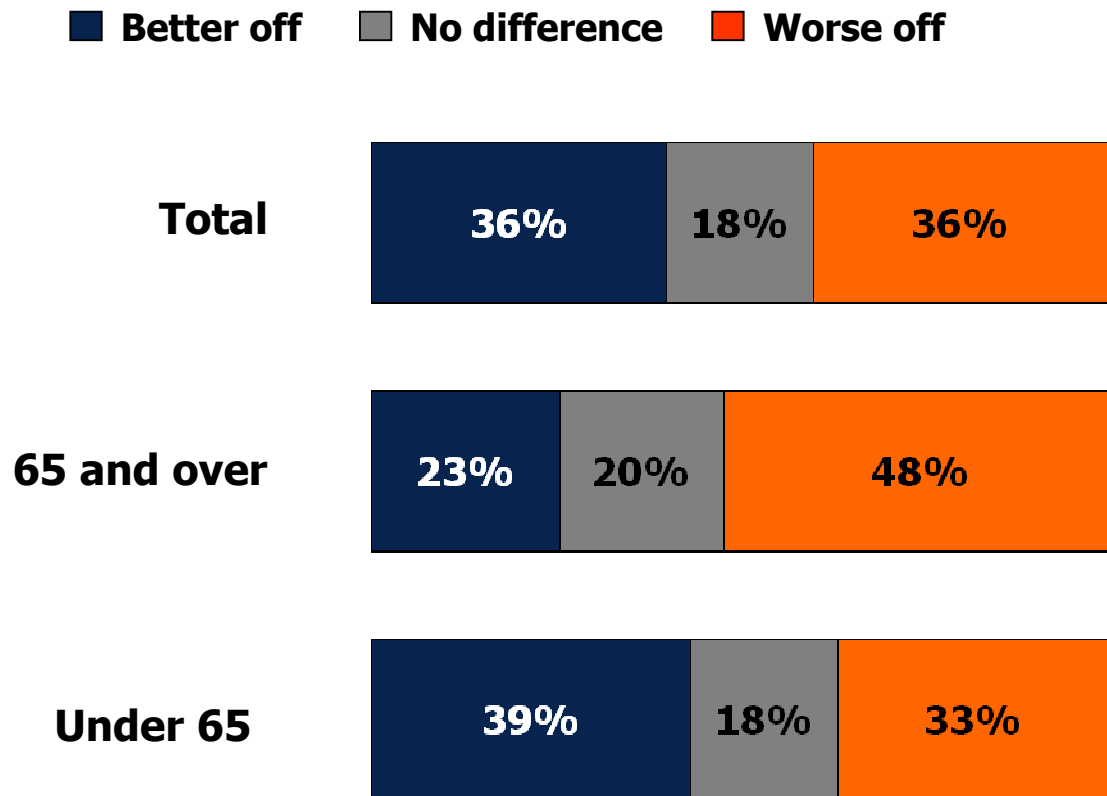
# Views on Health Reform Law Among Seniors, Over Time

**AMONG SENIORS (age 65 and over)**



# 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?

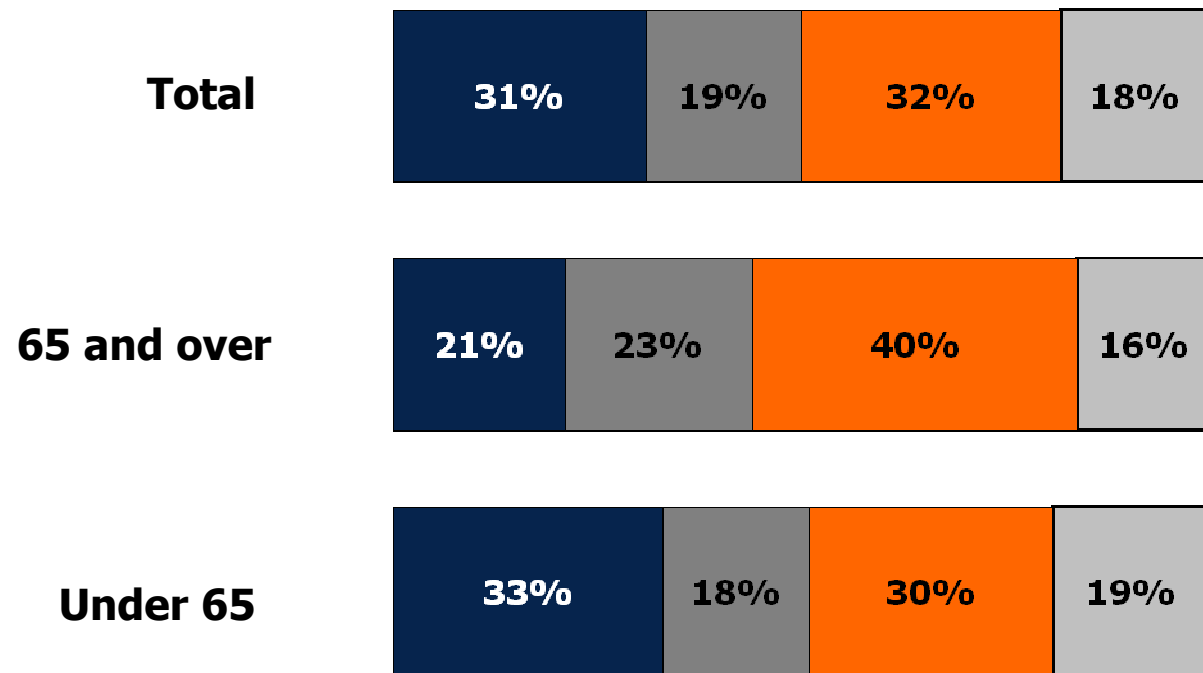




# Seniors More Likely to See Harm to Medicare

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?

■ Better off    ■ Won't make much difference    ■ Worse off    ■ Don't know/Refused

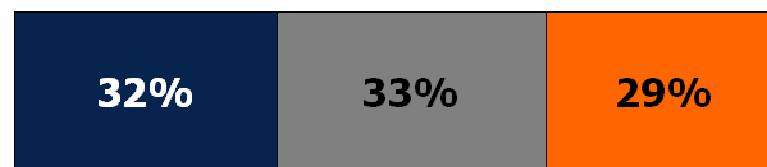


# Personal Impact of Health Reform Law: By Age

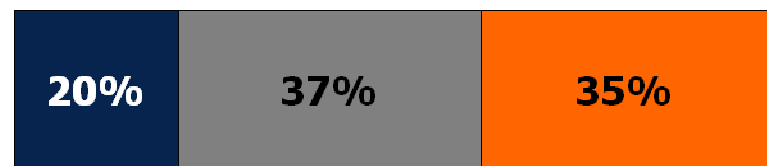
Do you think you and your family will be better off or worse off under the new health reform law, or don't you think it will make much difference?

■ Better off   ■ No difference   ■ Worse off

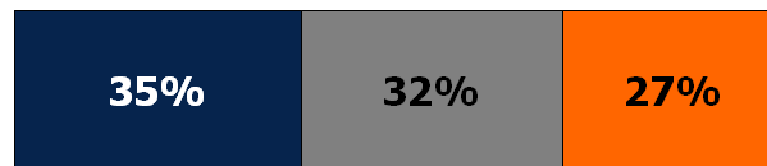
Total



65 and over



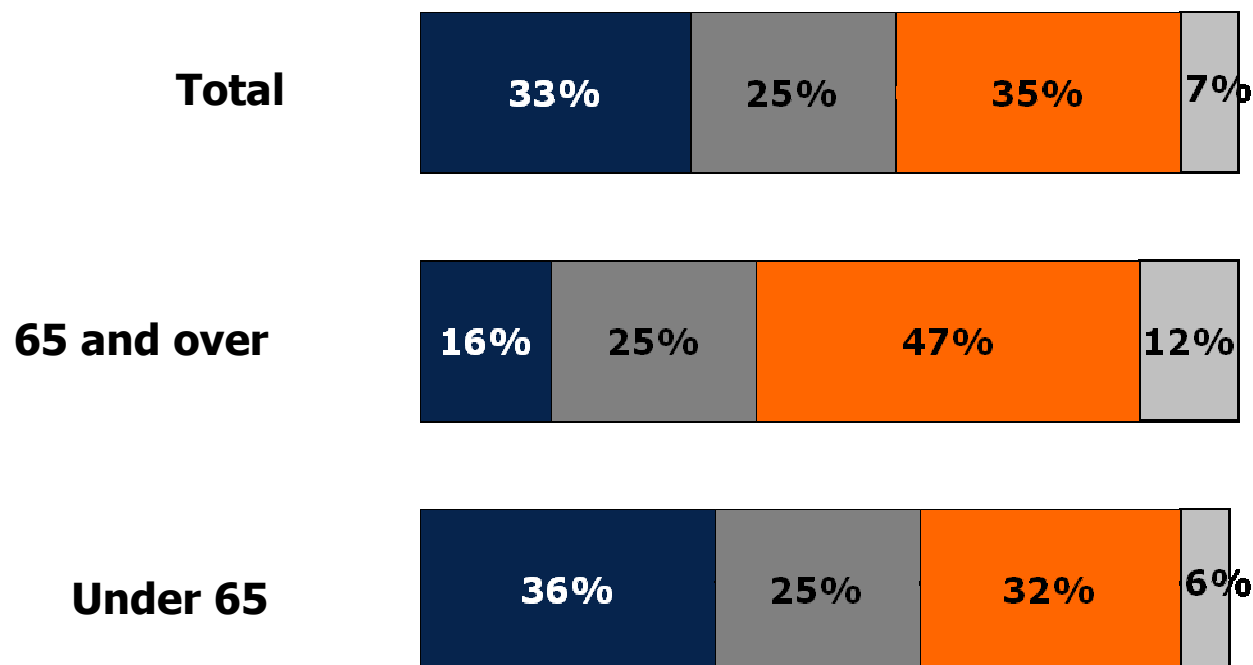
Under 65

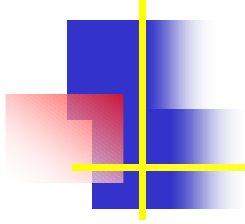


# Many Seniors Anticipate Problems Getting Needed Services Under Medicare

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?

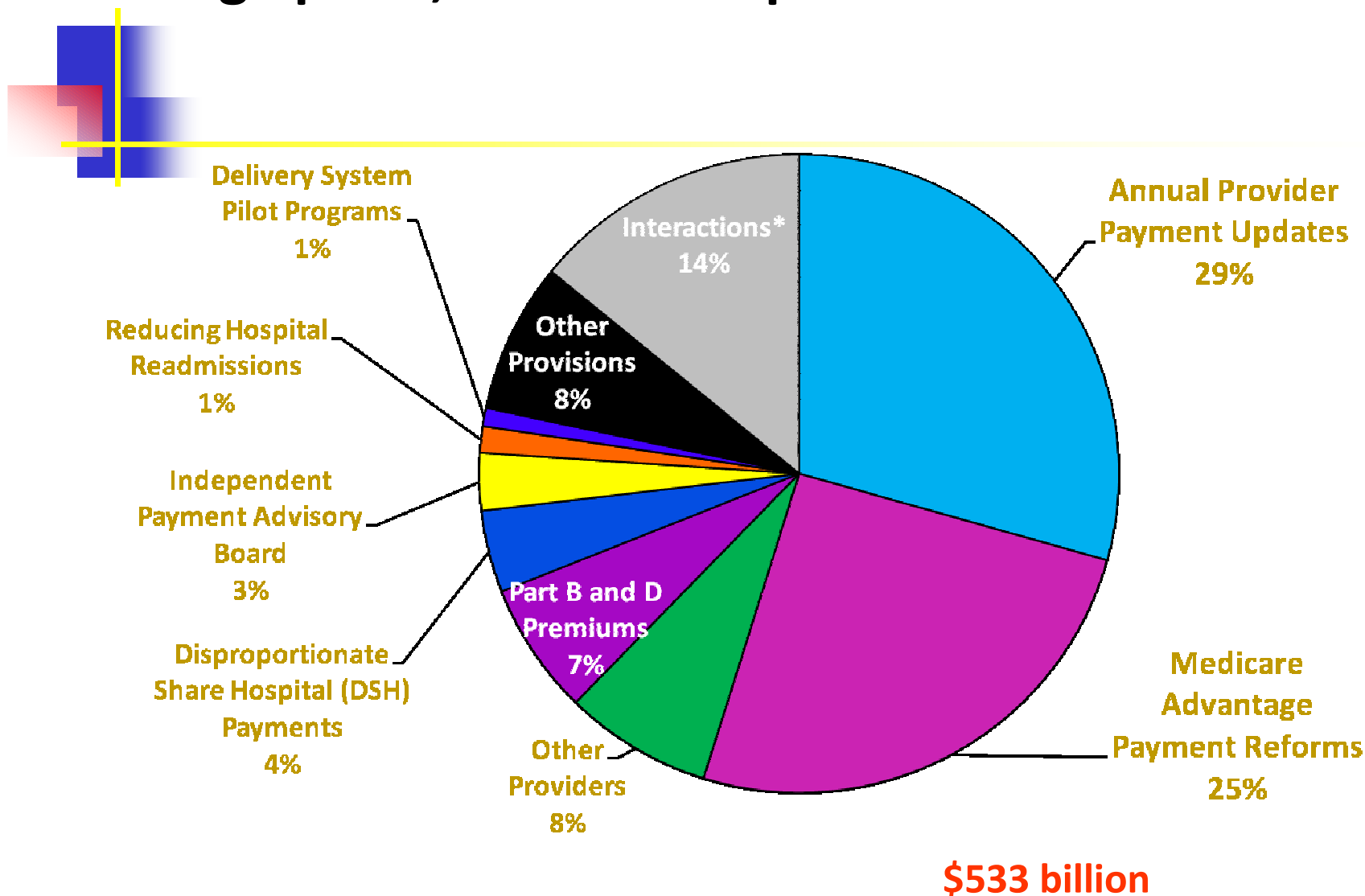
■ Easier ■ Same as it is now ■ Harder ■ Don't know/Refused



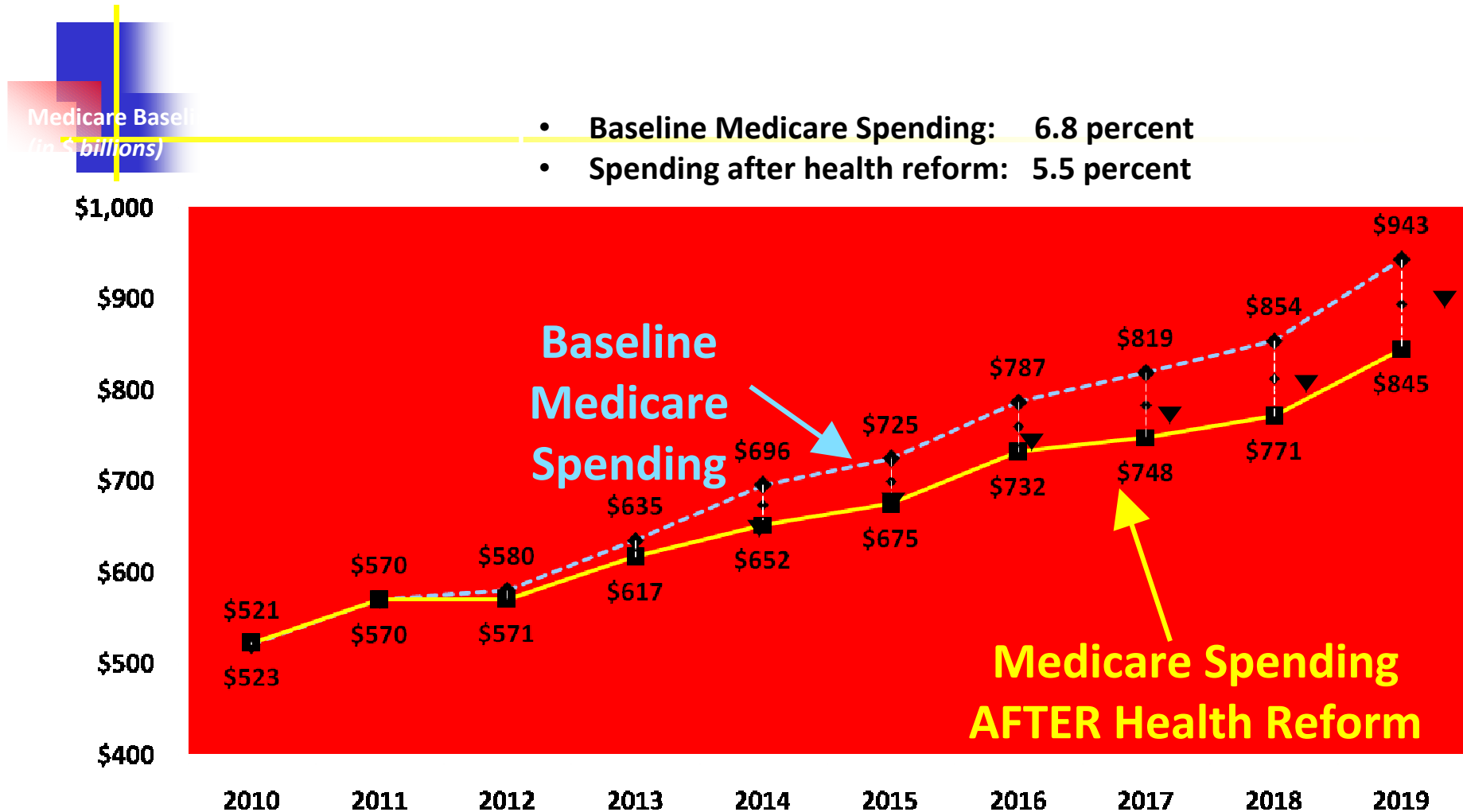


# Why Are Seniors So Skeptical? Actual Provisions of Health Reform on Medicare

# Reduces Medicare spending, with savings from Medicare Advantage plans, health care providers and other sources



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





# 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

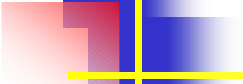
**AMONG SENIORS (ages 65 and older):** To the best of your knowledge, would you say the new law does or does not do each of the following?

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

## ELEMENTS THAT ARE NOT INCLUDED IN THE HEALTH REFORM LAW

**AMONG SENIORS (ages 65 and older):** To the best of your knowledge, would you say the new law does or does not do each of the following?

	Yes	No	Dk/Ref.
Cut payments to doctors who see Medicare patients	39	35	25
Cut benefits that were previously provided to all people on Medicare	38	37	25
Allow a government panel to make decisions about end-of-life care for people on Medicare	30	48	22



# 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**

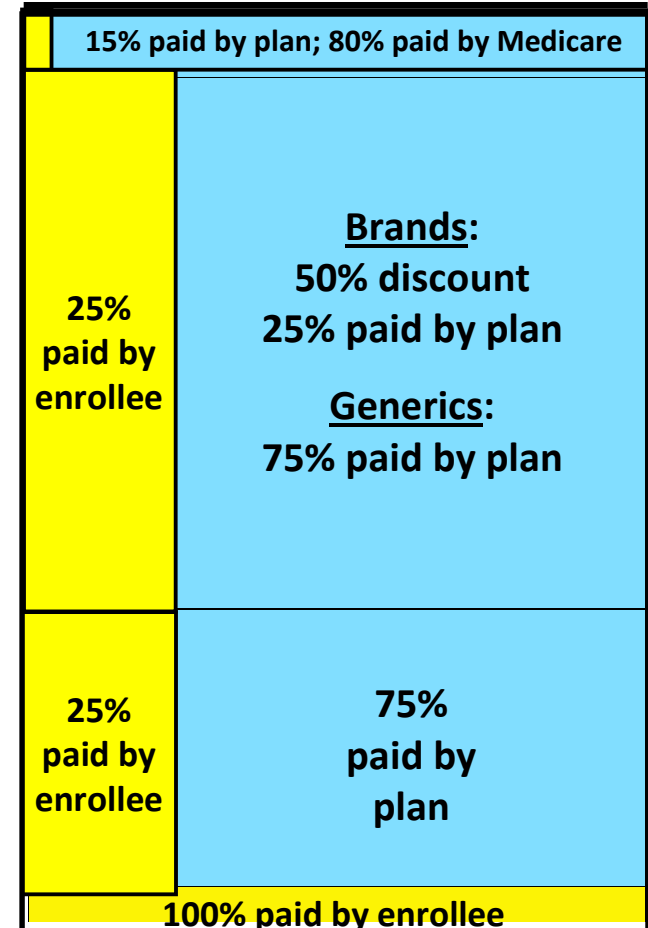
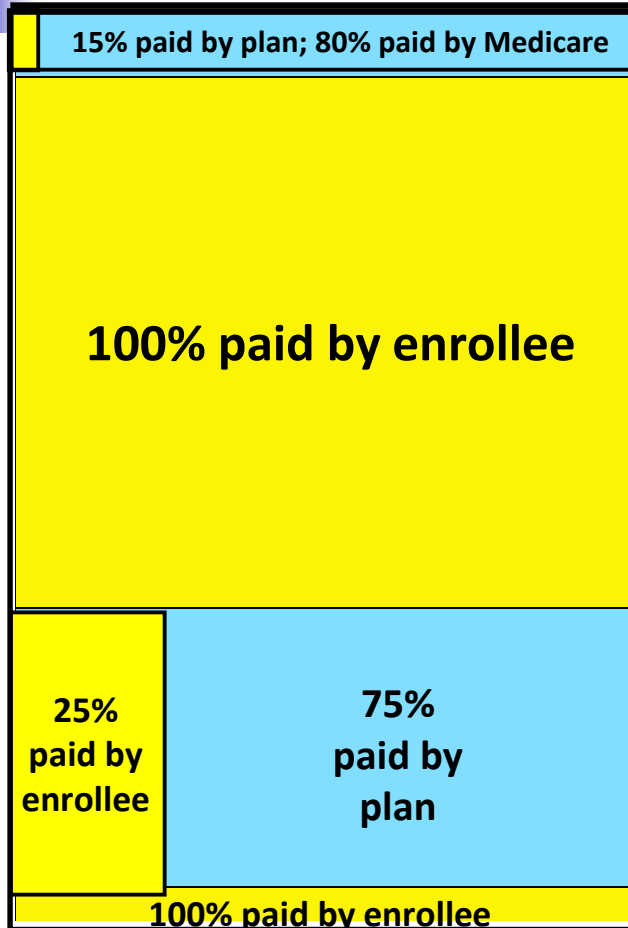
**Beginning 2011, 50% discount on brand-name drugs**

- **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*

aid by f



# 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



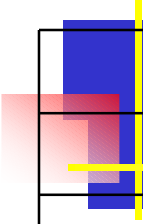
**Freezes income threshold for Part B premium at \$85,000/individuals and \$170,000/couples, rather than index for inflation, effective 2011**

**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



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



# 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.