What Next for Health Reform?

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For Osher Lifelong Learning Institute

February 12, 2012

Outline

- Affordable Care Act Implementation
  - What's been done
  - What's upcoming
- Managing Medicare Costs

Affordable Care Act
What's been done

- 53 of 57 provisions scheduled for 2010-2012 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 and rebates

Complete list at: http://healthreform.kff.org/timeline.aspx

Affordable Care Act
What's upcoming
January 2014

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

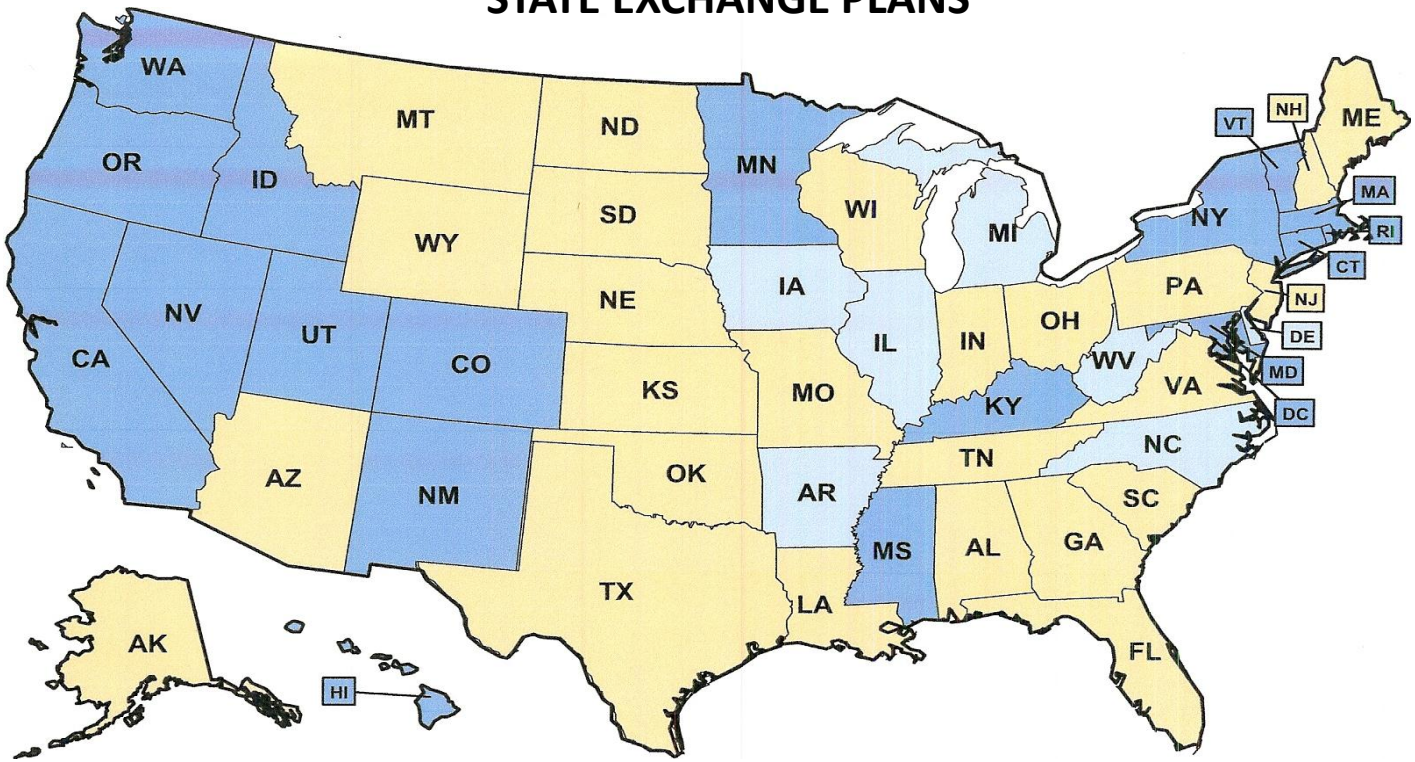
Affordable Care Act
What's upcoming
January 2014

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

Affordable Care Act
What's upcoming
January 2014

STATE EXCHANGE PLANS



Default to Federal Exchange—26 states

Declared State Based Exchange--19 states

Planning for Partnership Exchange—6 states

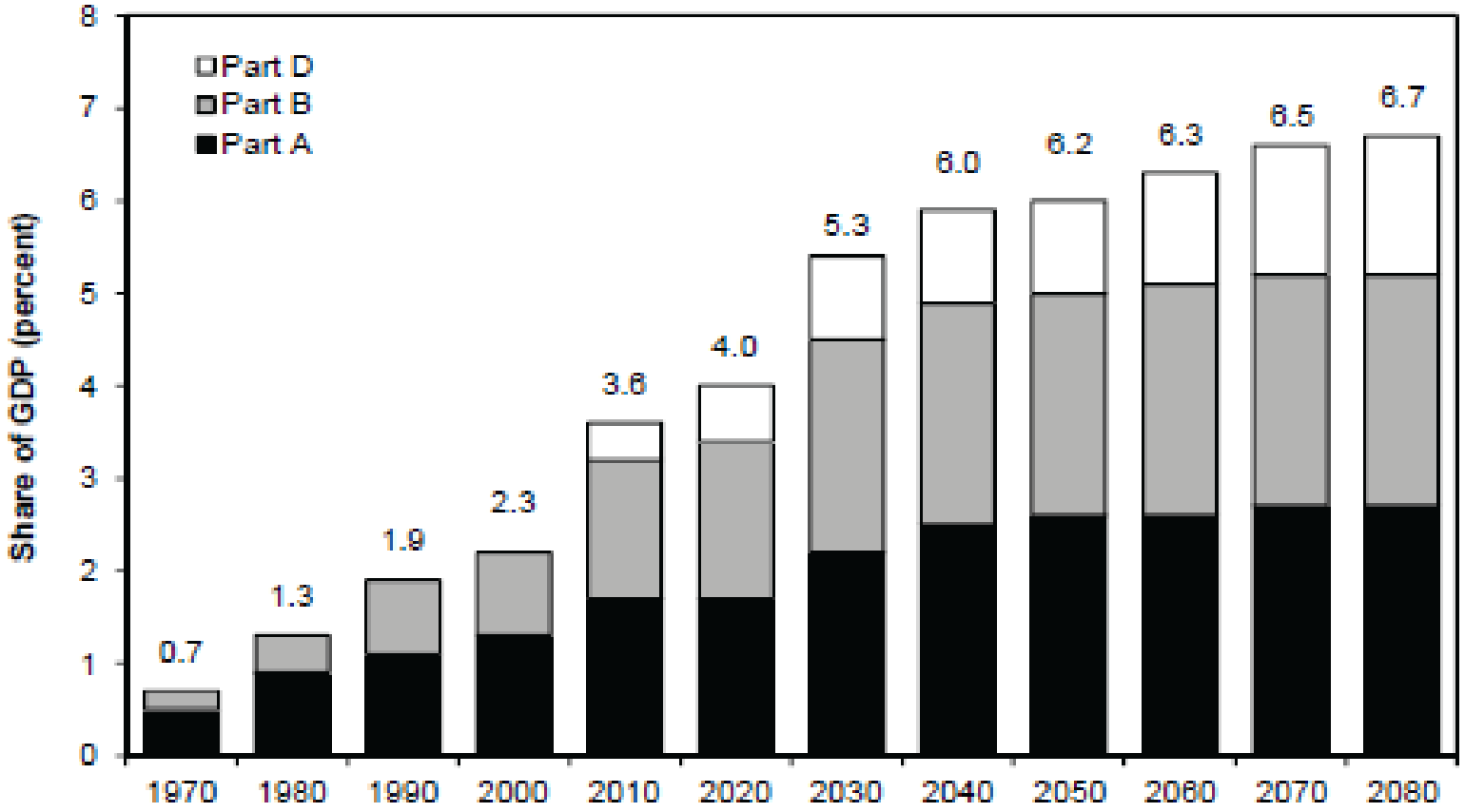
Affordable Care Act
What's upcoming
January 2014
Medicaid Expansions

Will not Expand	Leaning toward No	Leaning toward Yes	Will Expand	Undecided/ No Comment
9	6	5	21	10
AL GA ID LA MS OK SC SD TX	IA ME NB NJ VA WY	KY NH NY ND OR	AR AZ CA CO CT DE DC HI IL MD MA MI MN MO MT NV OH NM RI VT WA	AK FL IN KS PA NC TN UT WV WI

As of Feb. 7, 2013

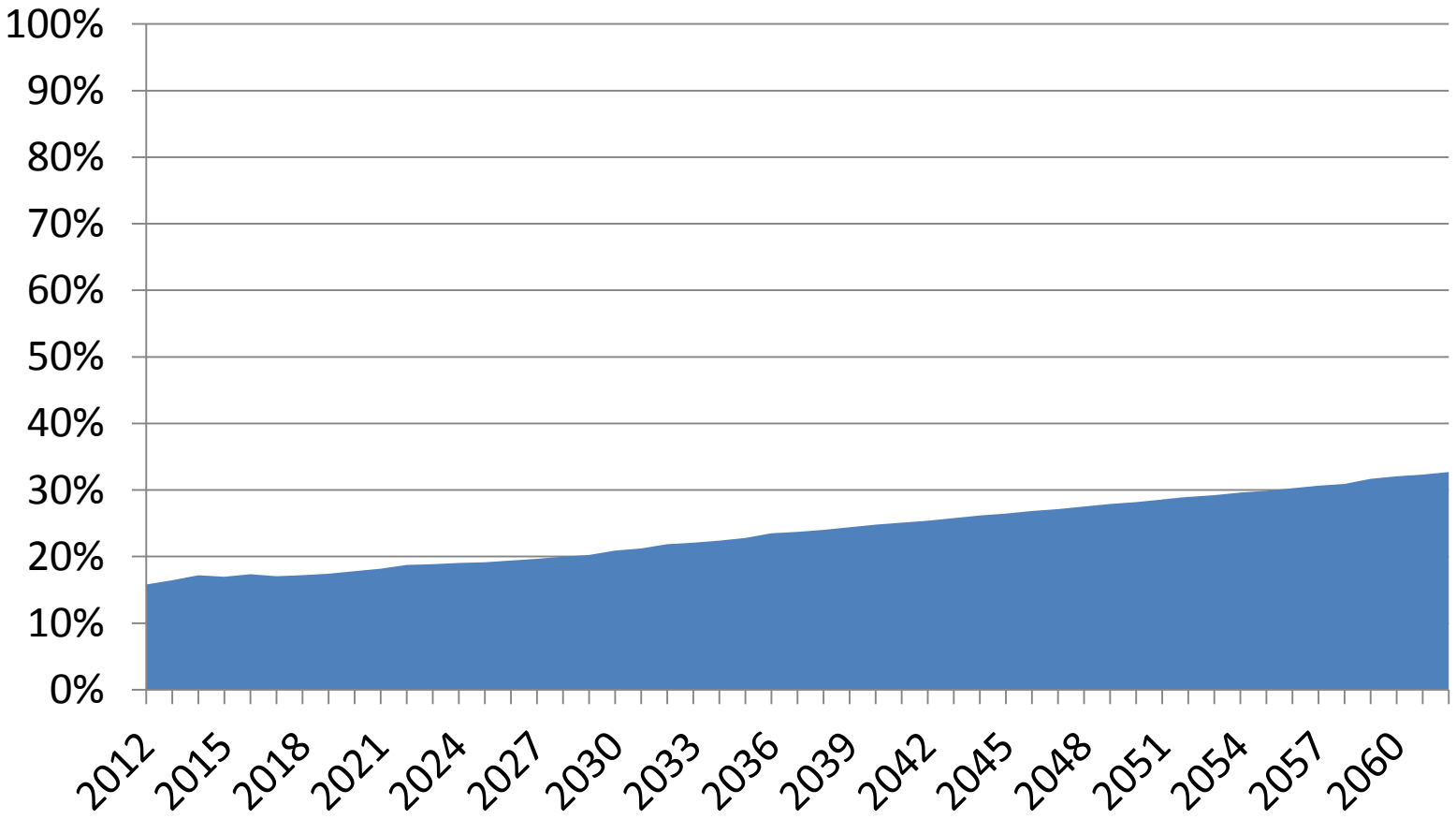
Why is Medicare a major focus of fiscal cliff/ federal deficit discussions?

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

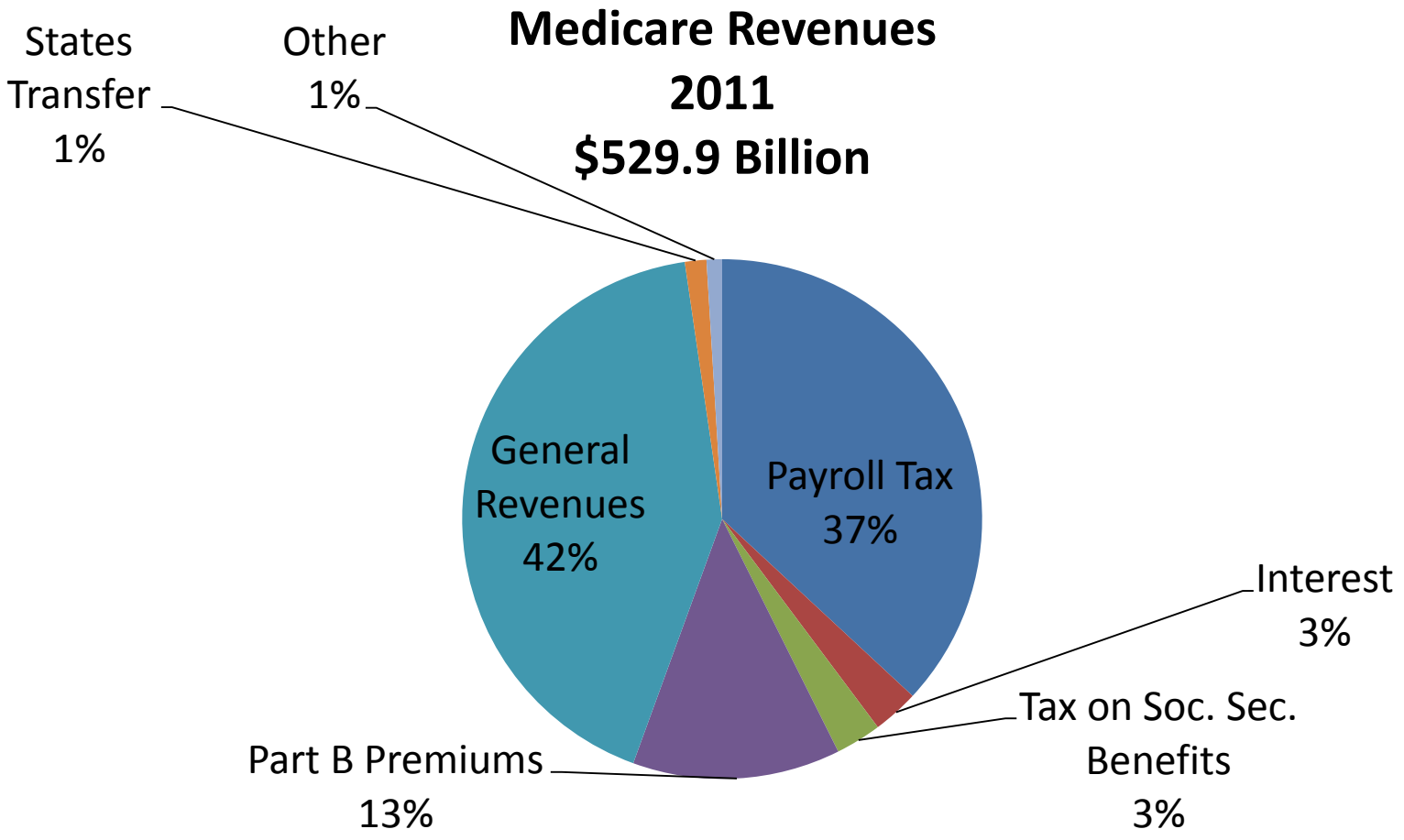
"Think of the United States government as a gigantic insurance company with a sideline business in national defense… This particular insurance company has made promises to its policy holders that have a current value of $20 trillion…in excess of the revenues that it expects to receive….. It is an accident waiting to happen."

Peter Fisher, Undersecretary of the Treasury, November 2002

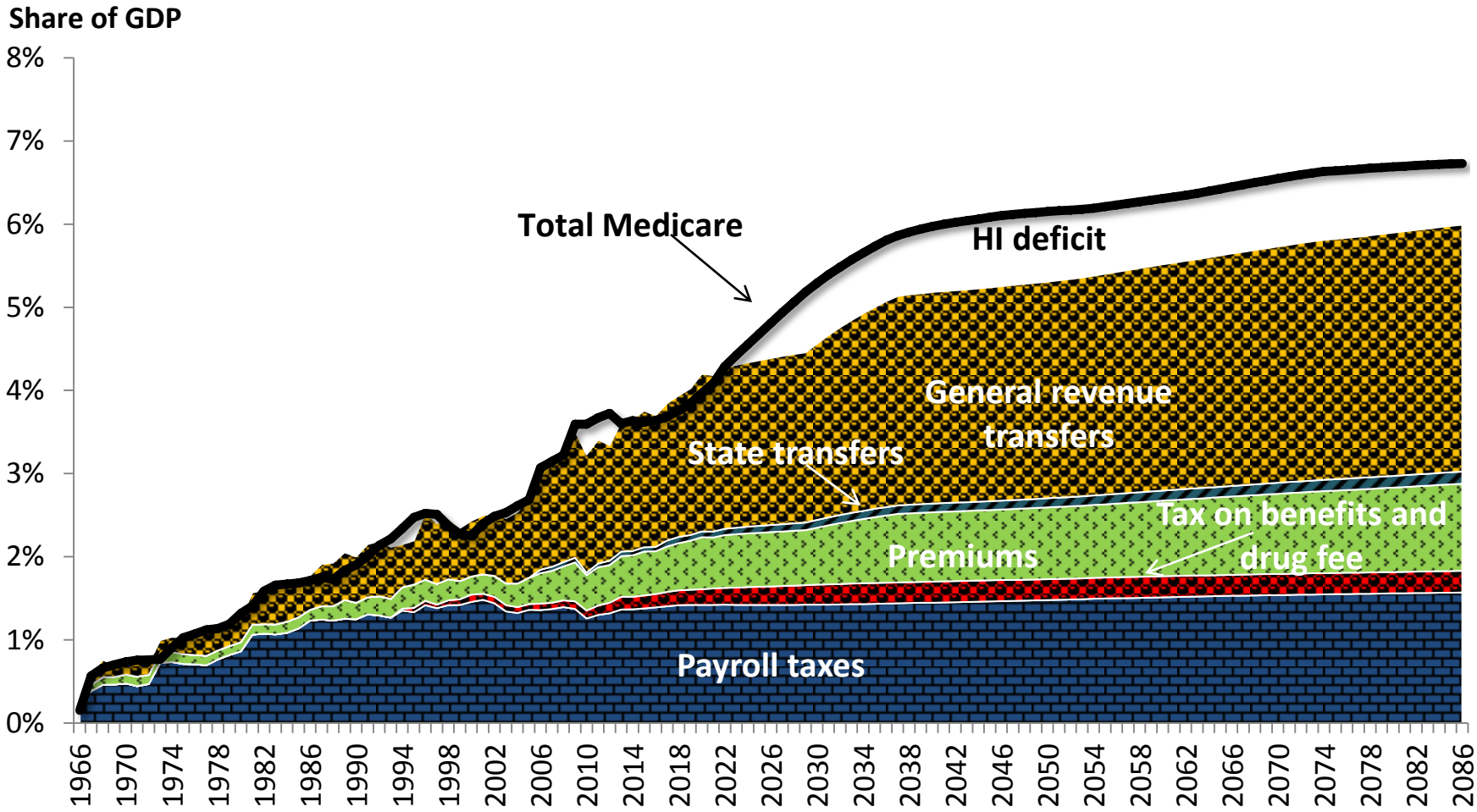
Why Medicare should **not** be a major focus of federal spending reductions?

- It's an entitlement
- Health care will suffer and beneficiaries will be harmed
- ***Cutting Medicare spending cuts incomes***

Sources of Medicare Revenues



Medicare 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

Turning 65 in	2010		2030	
	Benefits / Contributions	Benefits	Benefits / Contributions	Benefits
Average Income				
Single Female	3.39	$207,000	3.92	$353,000
Single Male	2.95	$180,000	3.45	$311,000
2 Earner Couple	3.17	$387,000	3.68	$664,000

Source: C.E. Steuerle and C Quakenbush, *Social Security and Medicare Taxes and Benefits over a Lifetime: 2012 Update,* Urban Institute, October 2012

Some Sources of Options to Reduce Medicare Spending

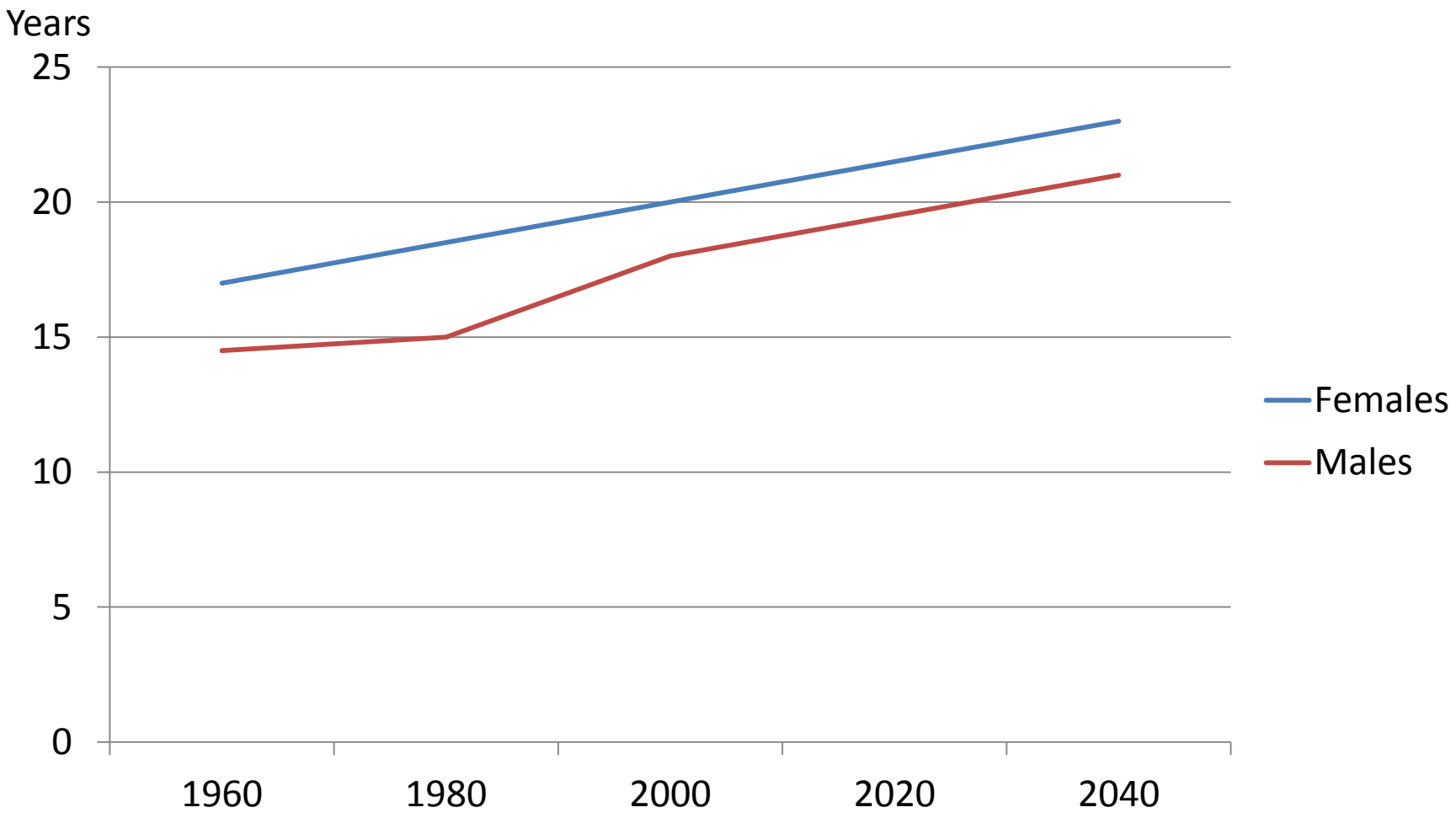
- Bipartisan Policy Center Debt Reduction Task Force (Domenici-Rivlin)--Nov 2010
- National Commission on Fiscal Responsibility and Reform (Bowles-Simpson)--Dec 2010
- House Budget Resolution--Apr 2011
- Senate “Gang of Six”--Jul 2011
- President’s Plan for Economic Growth and Deficit Reduction Sep 2011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

Options To Be Discussed Today

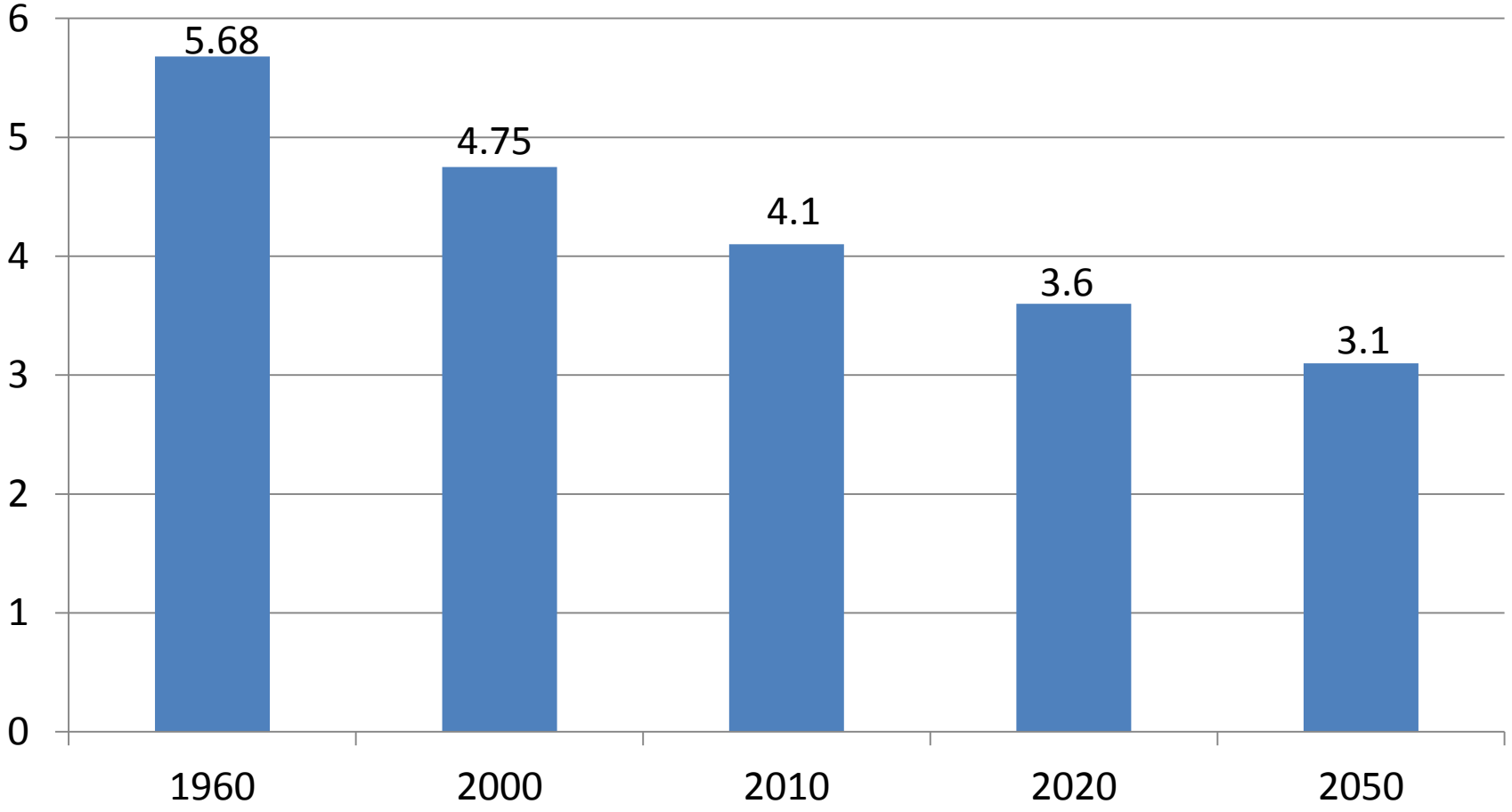
- Increase Medicare eligibility age
- Change Medicare cost sharing and limit supplemental coverage
- Make Medicare a premium support program

Increase Medicare's Eligibility Age to 67

Life Expectancy at 65

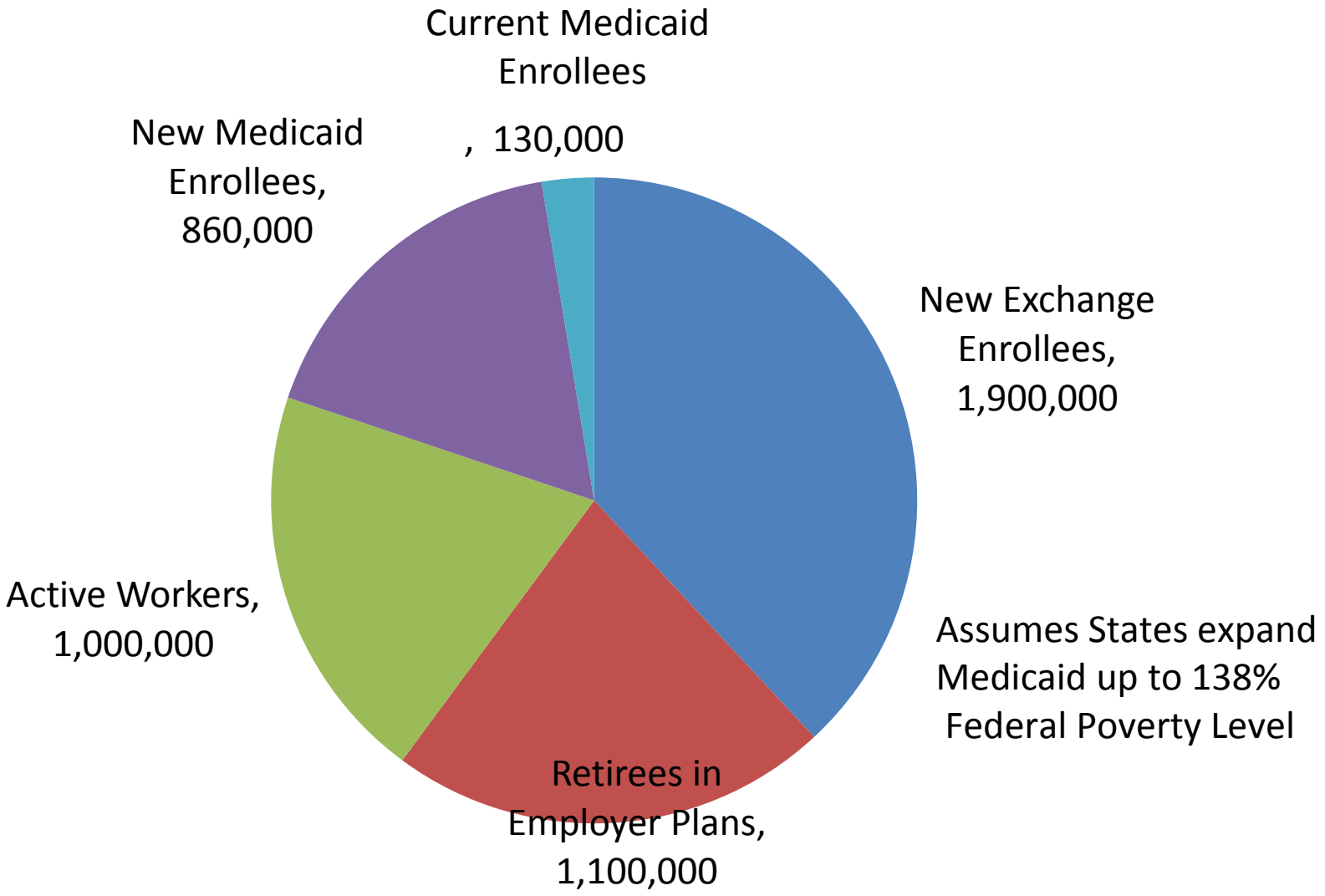


Number of Working Age Persons Per Person 65 +



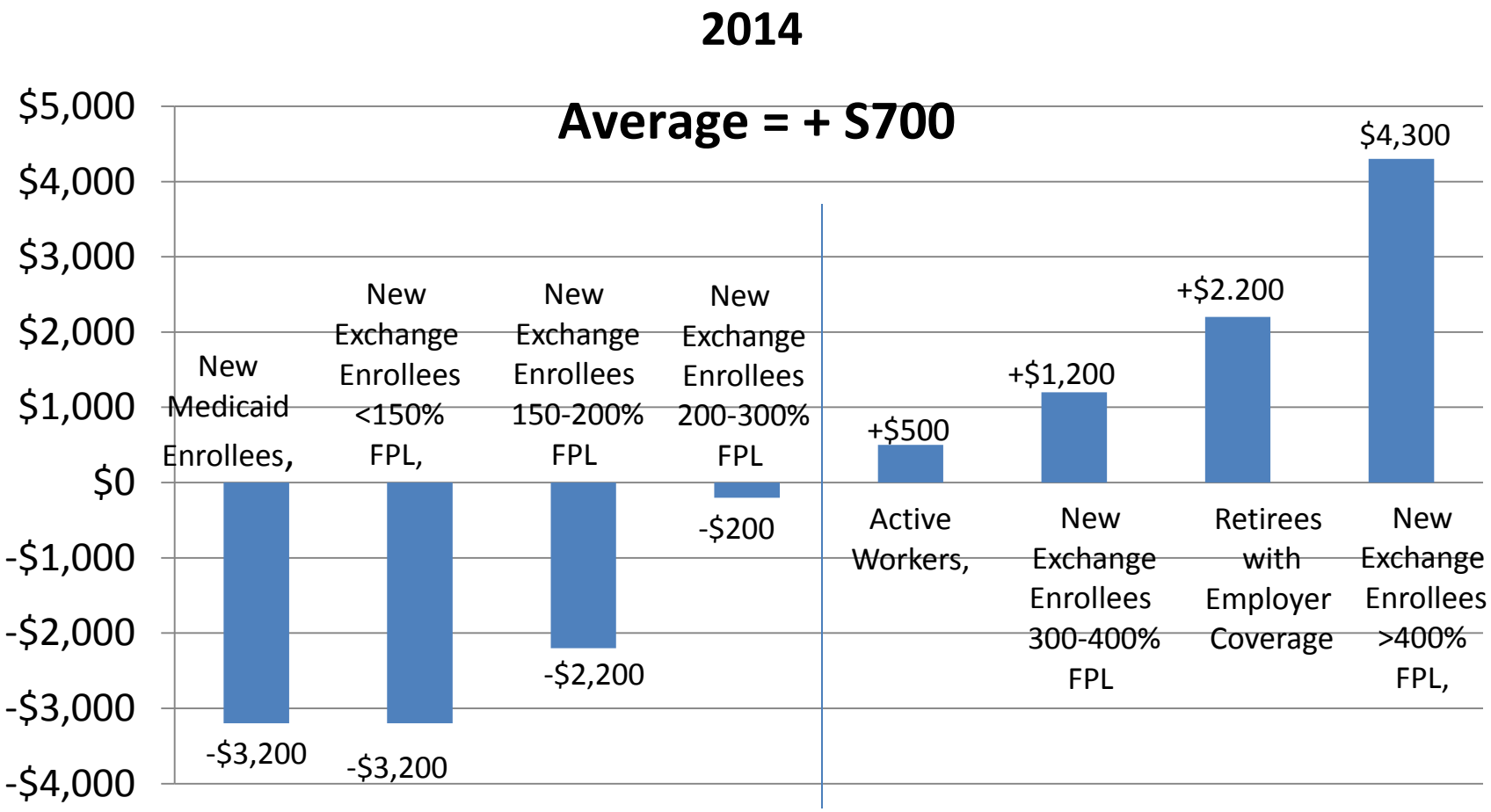
Source: Census Bureau

Where 65 and 66 Year Olds Would Get Insurance Without Medicare



Source: Actuarial Research Corporation

Change in Out-of-Pocket Spending for 65 and 66 Year Olds if Medicare Eligibility Age is 67



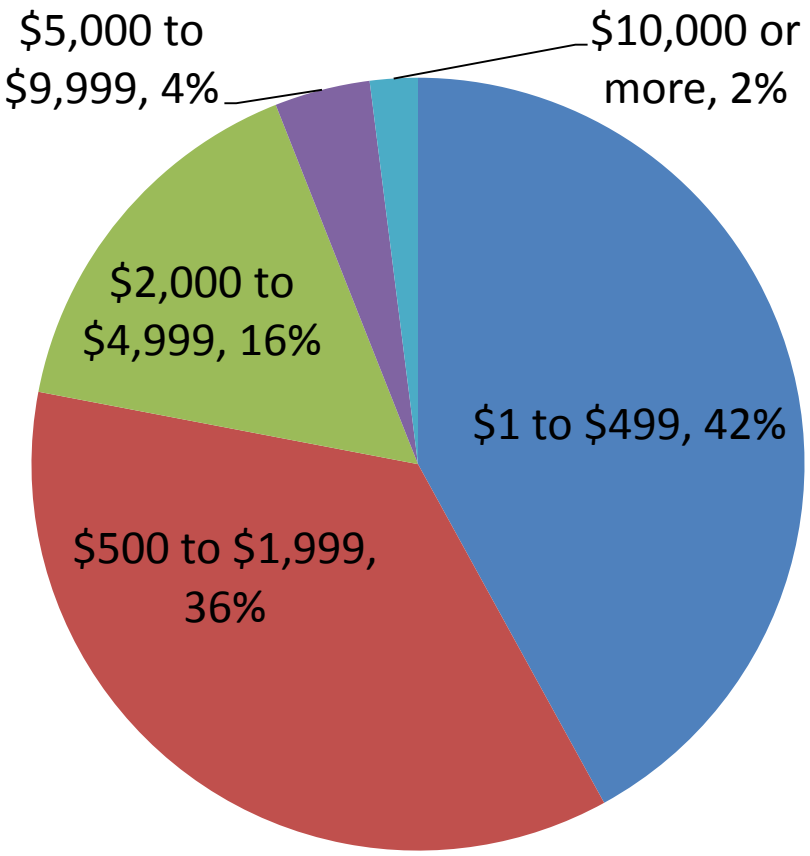
Source, Kaiser Family Foundation, "Raising the Age of Medicare Eligibility" July 2011

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

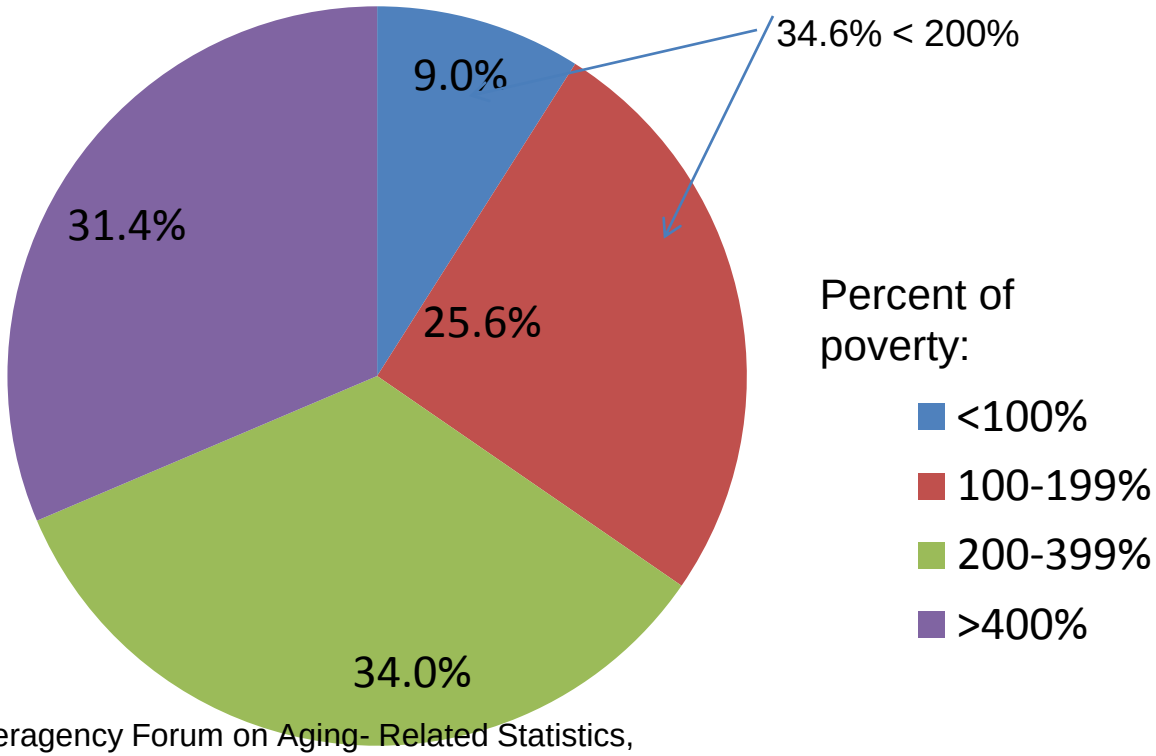
Cost-Sharing Liability for Medicare Fee-for-Service Beneficiaries, 2008



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.

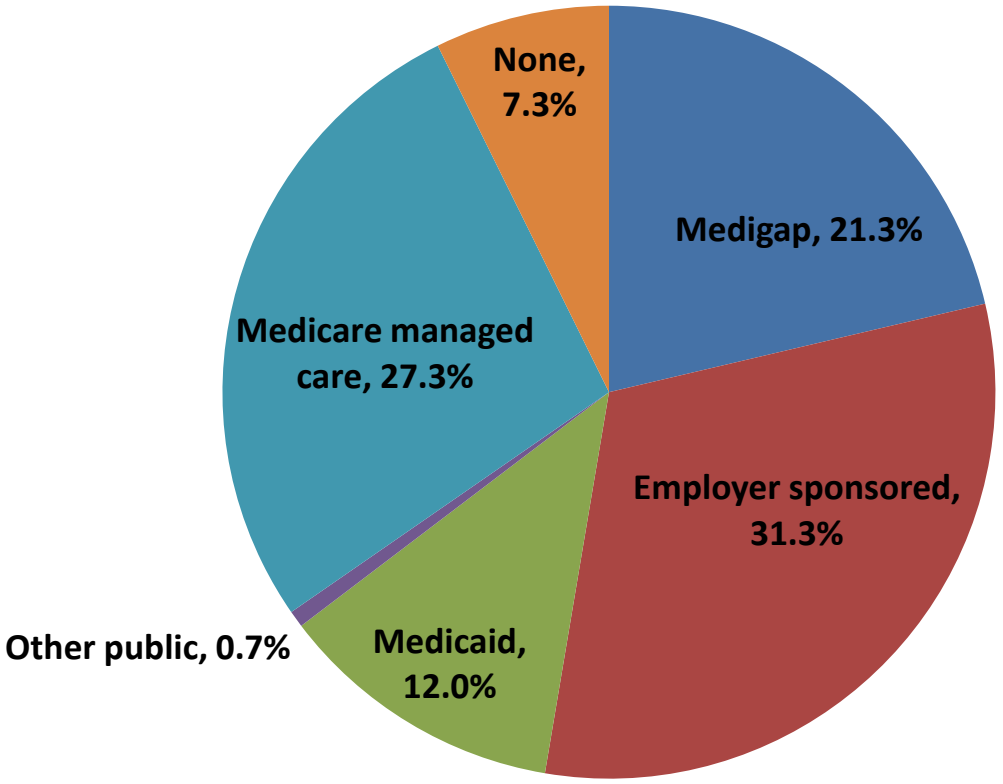
Source: Medicare Payment Advisory Commission, Report to the Congress: Aligning Incentives in Medicare, June 2010, p. 54, available at www.medpac.gov/ chapters/Jun10_Ch02.pdf.

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



Source: Federal Interagency Forum on Aging- Related Statistics, *Older Americans 2012: Key Indicators of Well-Being,* June 2012,

Sources of supplemental coverage among noninstitutionalized Medicare beneficiaries, 2009



Source: MedPAC analysis of Medicare Current Beneficiary Survey, Cost and Use file, 2009.
From: *Data Book: Health spending and the Medicare Program,* June 2012.

Currently Available Standardized Medigap Plans

Plan F has 44% of Medigap enrollees; another 15% in Plan C.

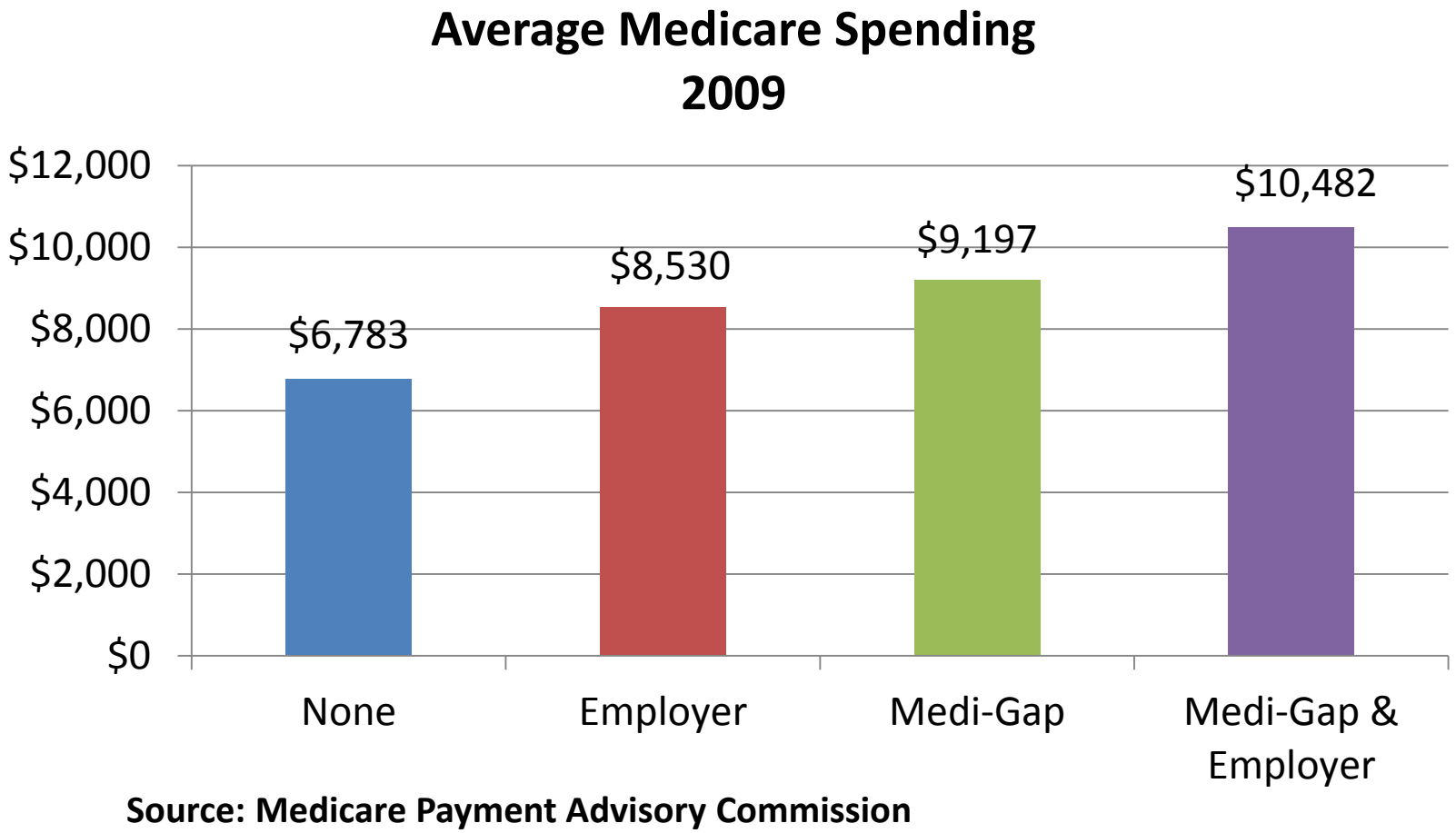
Benefits	A	B	C	D	F*	G	K	L	M	N
Part A Coinsurance	●	●	●	●	●	●	●	●	●	●
Part B Coinsurance	●	●	●	●	●	●	50%	75%	●	●**
Blood	●	●	●	●	●	●	50%	75%		
Part A Hospice	●	●	●	●	●	●	50%	75%	●	●
SNF Coinsurance			●	●	●	●	50%	75%	●	●
Part A Deductible		●	●	●	●	●	50%	75%	50%	●
Part B Deductible			●		●					
Part B Excess Charges					●	●				
Foreign Travel Emergency			●	●	●	●			●	●

** Plan F also offers a high-deductible plan. If a beneficiary chooses this option, she must pay for Medicare-covered costs (coinsurance, copayments, deductibles) up to the deductible amount of $2,000 in 2011 before the Medigap policy pays anything.*

***Plan N pays 100 percent of the Part B coinsurance, except for a copayment of up to $20 for some office visits and up to a $50 copayment for emergency room visits that do not result in an inpatient admission.*

Source: Center for Medicare & Medicaid Services, Medicare & You 2012, p. 67, available at ww.medicare.gov/publications/pubs/pdf/10050.pdf.

Variation in Medicare Spending with Type of Supplemental Coverage



Source: Medicare Payment Advisory Commission

Premium Support

Premium Support
How It Would Work
(Ryan-Wyden)

- Beneficiaries in each geographic area would select a plan offered by a private company or traditional Medicare
- Plans including traditional Medicare compete on the basis of premiums
- Beneficiaries receive a subsidy equal to the premium of the 2nd least costly plan in area in first year
- Beneficiaries choosing: higher cost plans pay the difference/ lower cost plans get a rebate

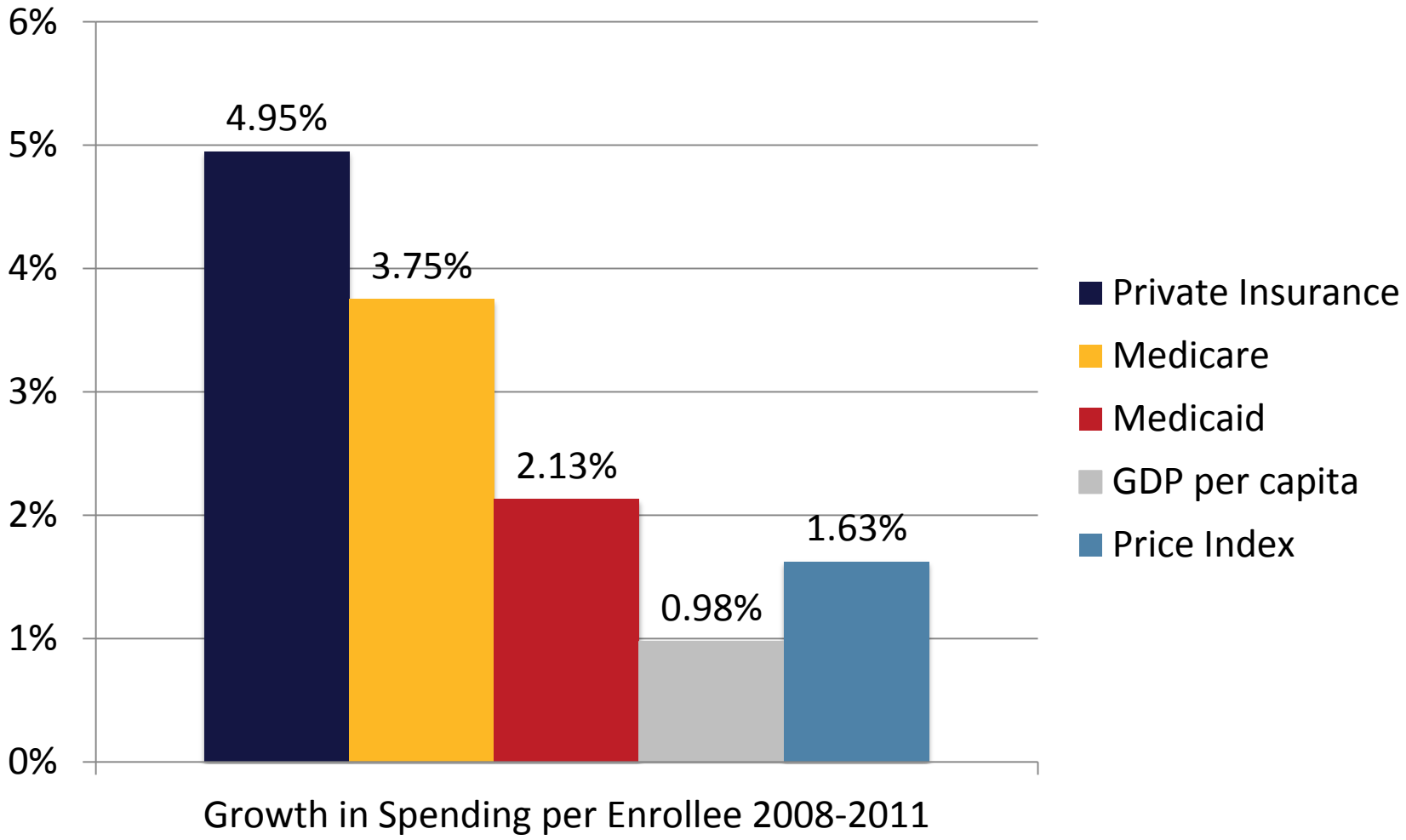
Premium Support
How It Would Work--Continued
(Ryan-Wyden)

- The increase in subsidy after the first year would be growth in GDP plus 1 percentage point

- *"To offset an increase in the cost of Medicare beyond the growth limit, Congress would be required to intervene and could implement policies that change provider reimbursements, program overhead, and means-tested premiums"*

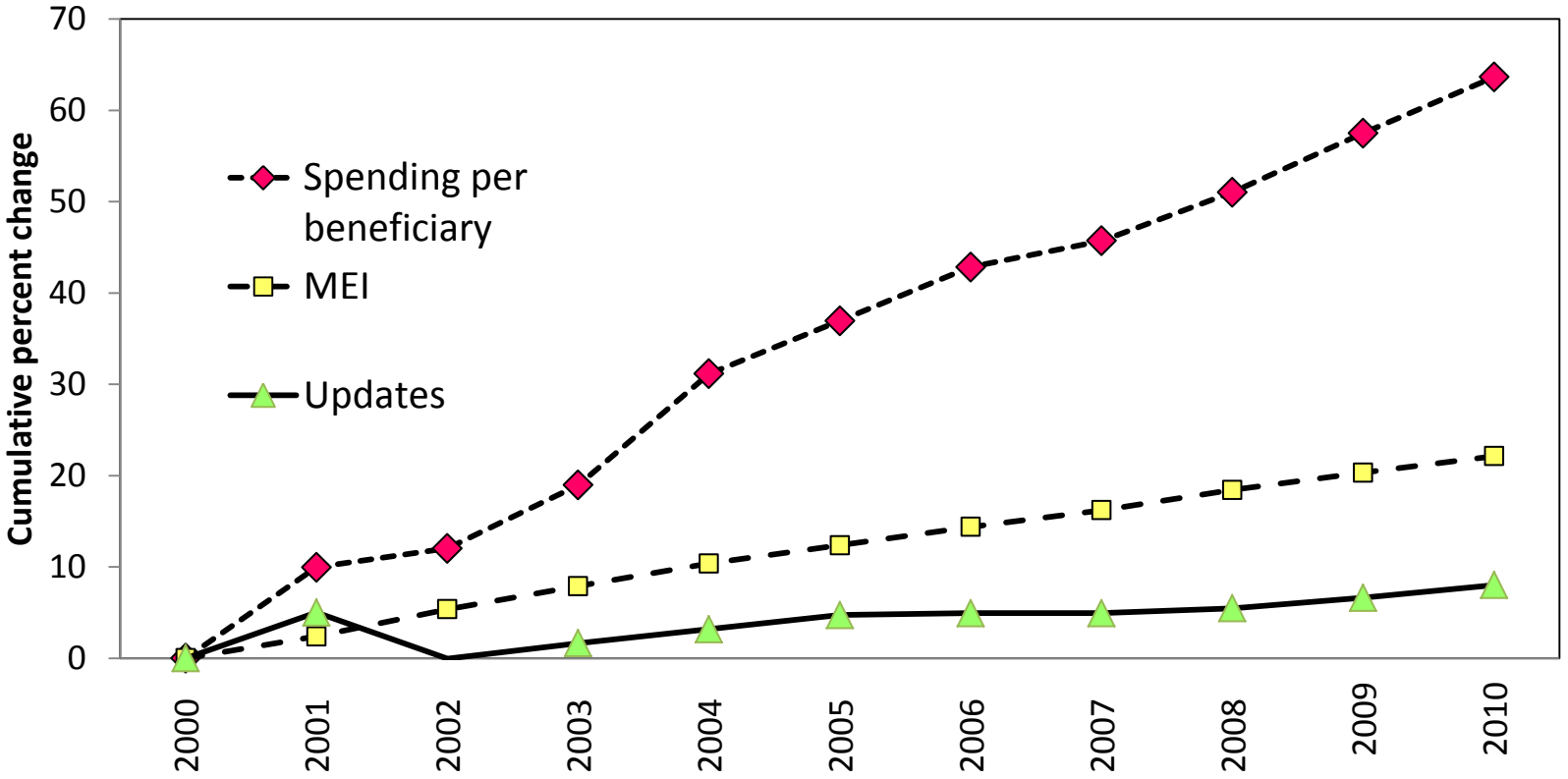
From: *Guaranteed Choices To Strengthen Medicare And Health Security For All: Bipartisan Options For The Future*, Senator Ron Wyden and Representative Paul Ryan, December 2011.

Growth in Spending by Payer



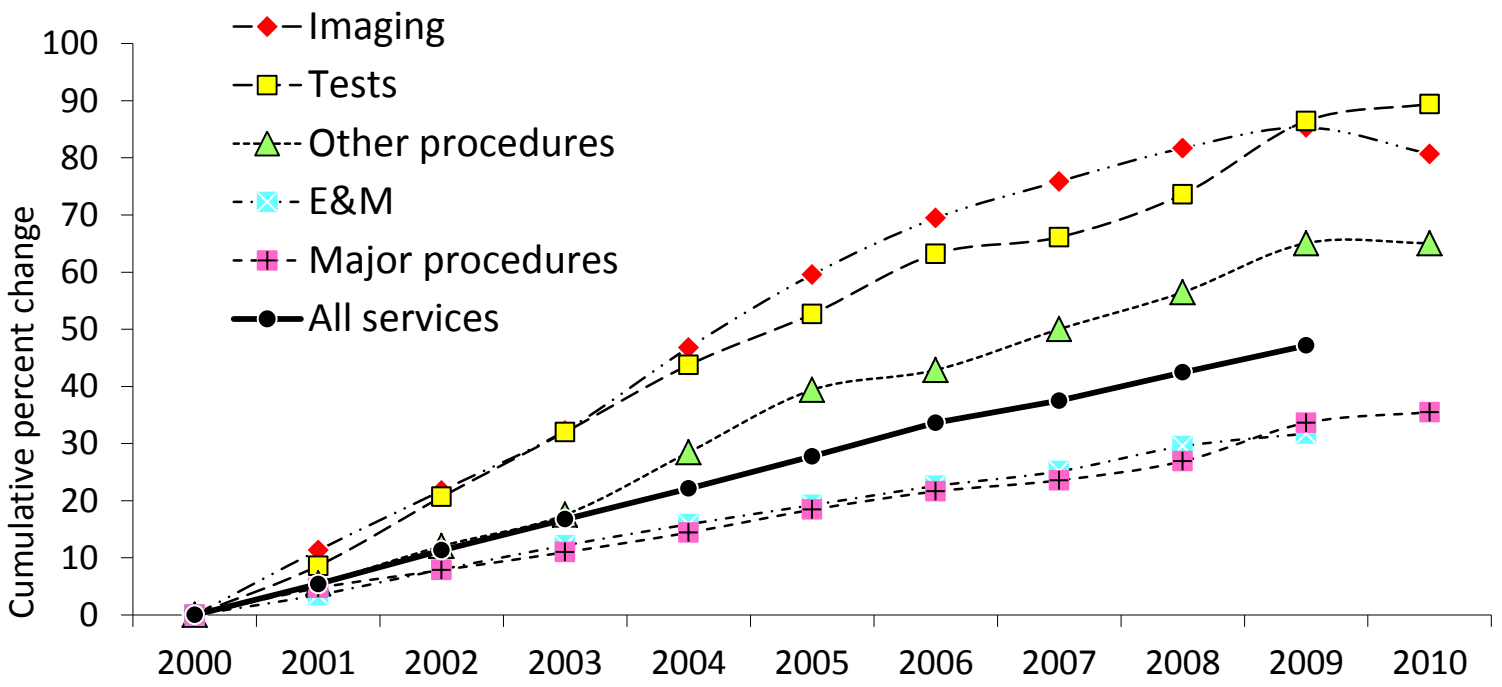
*Sources: Health Care Cost Institute; Centers for Medicare & Medicaid Services, Office of the Actuary, National Health Statistics Group

Utilization: Because of volume growth, Medicare physician spending has increased faster than input prices and updates



Note: MEI (Medicare Economic Index).
Source: 2011 Trustees' Report, Global Insight 2010q4 MEI forecast, and OACT 2011.

Utilization: growth in the volume of physician services per beneficiary



Note: E&M (evaluation and management). Volume growth for E&M and all services is through 2009 only due to change in payment policy for consultations.
Source: MedPAC analysis of claims data for 100 percent of Medicare beneficiaries.

Private Insurer Prices Compared to Medicare Fees

	Hospital Outpatient Visit	
	Average Price as Percentage of Medicare	Maximum Price as Percentage of Medicare
Cleveland	234%	357%
Indianapolis	307%	493%
Los Angeles	277%	559%
Milwaukee	267%	439%
Richmond	267%	495%
San Francisco	366%	718%
Rural Wisconsin	240%	381%

Source: Center for Studying Health System Change, Research Brief No. 16.

Questions