Residency Fellowship in Health Policy

Spring 2020

Medicare Update

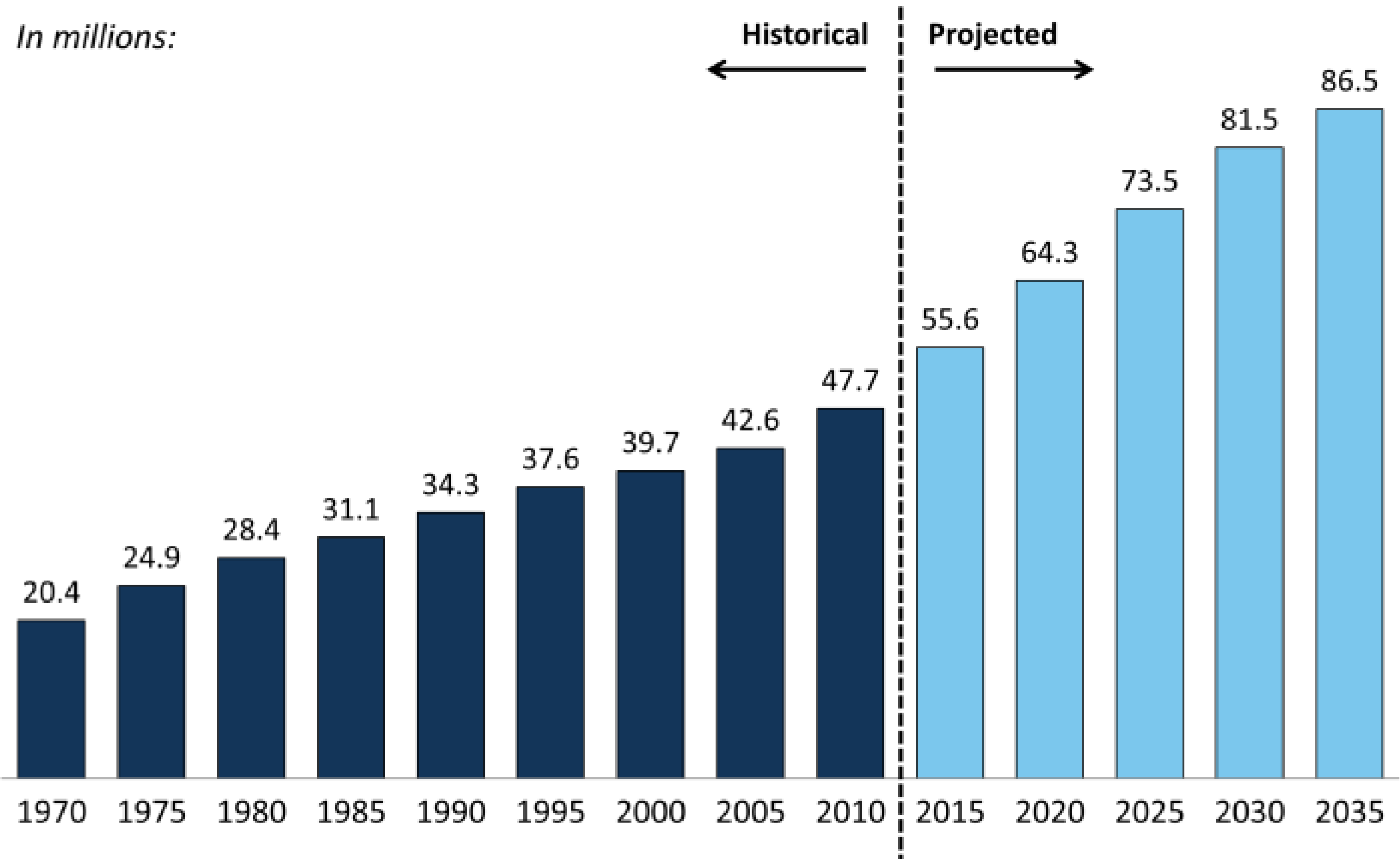
Milken Institute School of Public Health
THE GEORGE WASHINGTON UNIVERSITY

THE GEORGE WASHINGTON UNIVERSITY
WASHINGTON, DC

Medicare Populations

- Elderly
  - Eligible if 65 years old and worked and contributed to Social Security for at least 10 years
  - No means test
  - 46 million elderly enrolled
- Disabled
  - Totally and permanently disabled
  - Receive Social Security Disability Insurance for 24 months or have End Stage Renal Disease or Lou Gehrig's disease and receive SSDI
  - No age requirement or means test
  - 9 million enrolled
- Enrollment expected to double by 2030

Medicare Enrollment, 1970-2035



SOURCE: 2013 Annual Report of the Boards of Trustees of the Federal Hospital Insurance and Federal Supplementary Medical Insurance Trust Funds.

THE HENRY J. KAISER FAMILY FOUNDATION

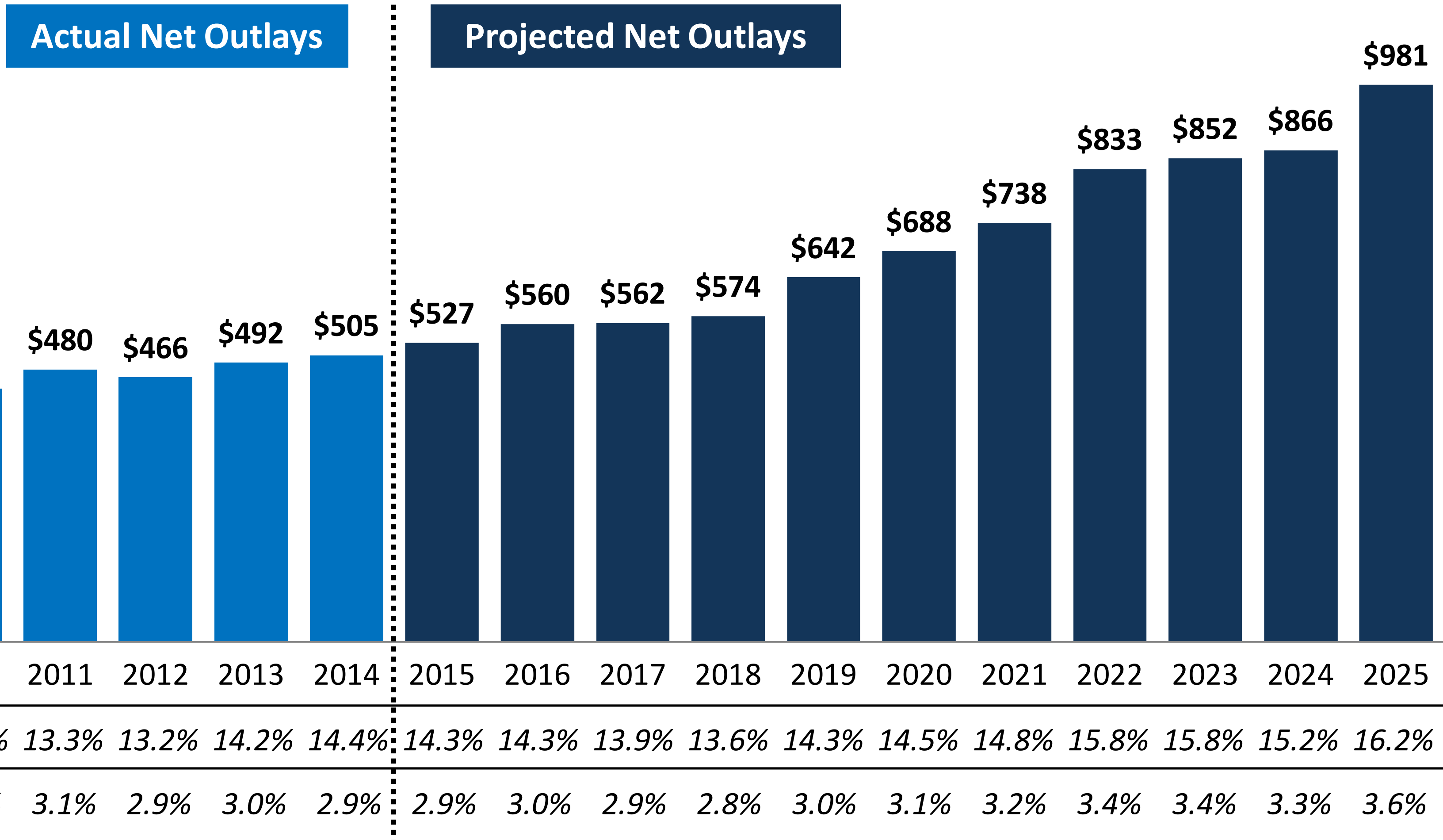
Medicare Spending

- Total spending on Medicare was $588 billion in 2016
  - 15% of federal budget
  - 20% of total national health care spending
  - Projected to be over 16% GDP by 2025

- Spending growth slowed since 2010
  - ACA changes: payment reductions, delivery system reforms, value-based purchasing pilots
  - Budget sequestration reduced provider payments
  - Changes in Rx spending, hospital readmissions, home health, anti-fraud

Figure 5

Medicare Spending and Percent of Federal Outlays and GDP, 2010-2025



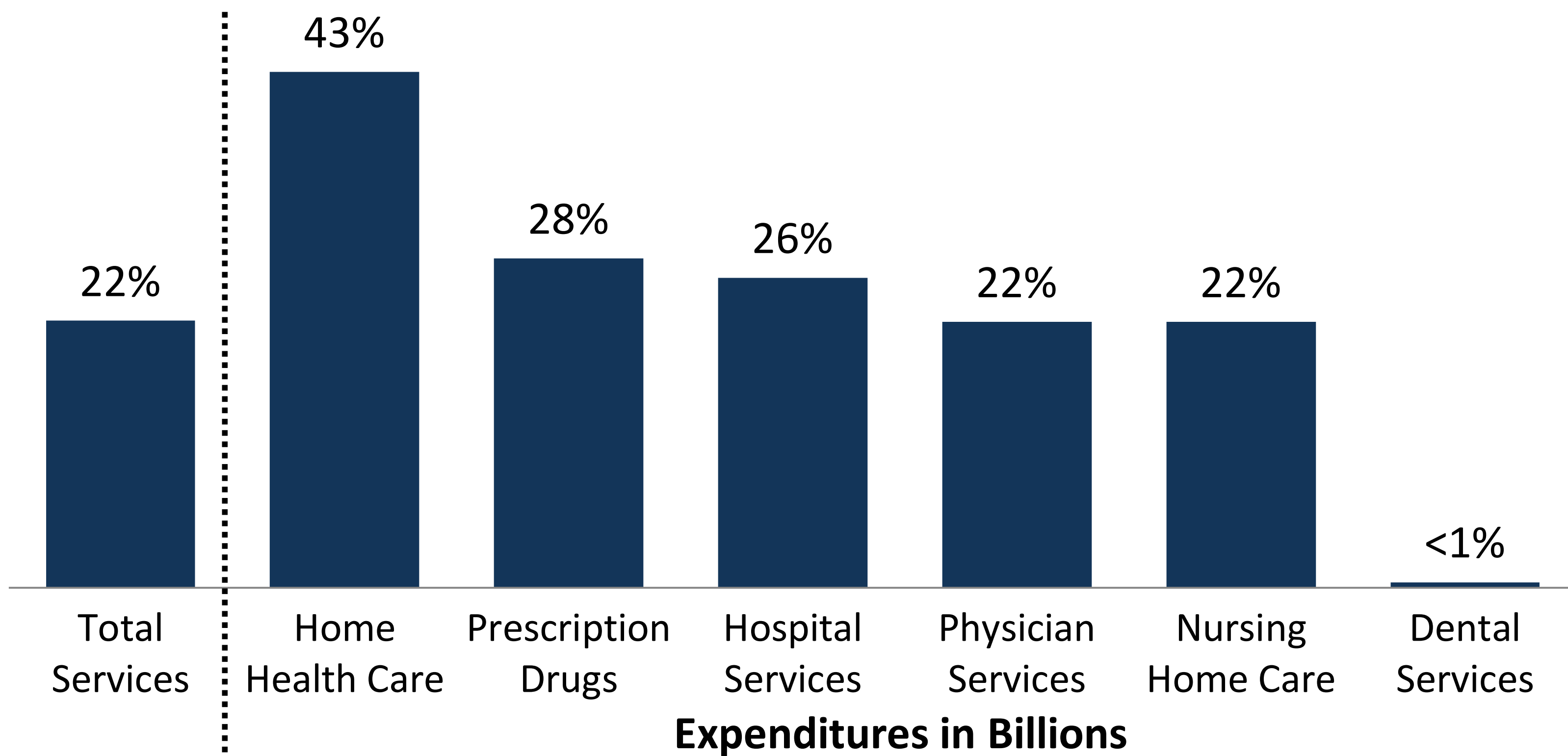
Share of:	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Federal Outlays	*12.9%*	*13.3%*	*13.2%*	*14.2%*	*14.4%*	*14.3%*	*14.3%*	*13.9%*	*13.6%*	*14.3%*	*14.5%*	*14.8%*	*15.8%*	*15.8%*	*15.2%*	*16.2%*
GDP	*3.0%*	*3.1%*	*2.9%*	*3.0%*	*2.9%*	*2.9%*	*3.0%*	*2.9%*	*2.8%*	*3.0%*	*3.1%*	*3.2%*	*3.4%*	*3.4%*	*3.3%*	*3.6%*

NOTE: All amounts are for federal fiscal years; amounts are in billions and consist of Medicare spending minus income from premiums and other offsetting receipts.
SOURCE: Kaiser Family Foundation based on data from Congressional Budget Office, Updated Budget Projections: 2015 to 2025 (March 2015); The 2014 Long-Term Budget Outlook (July 2014).

THE HENRY J. KAISER FAMILY FOUNDATION

Figure 6

Percent of Personal Health Expenditures Accounted for by Medicare, 2013



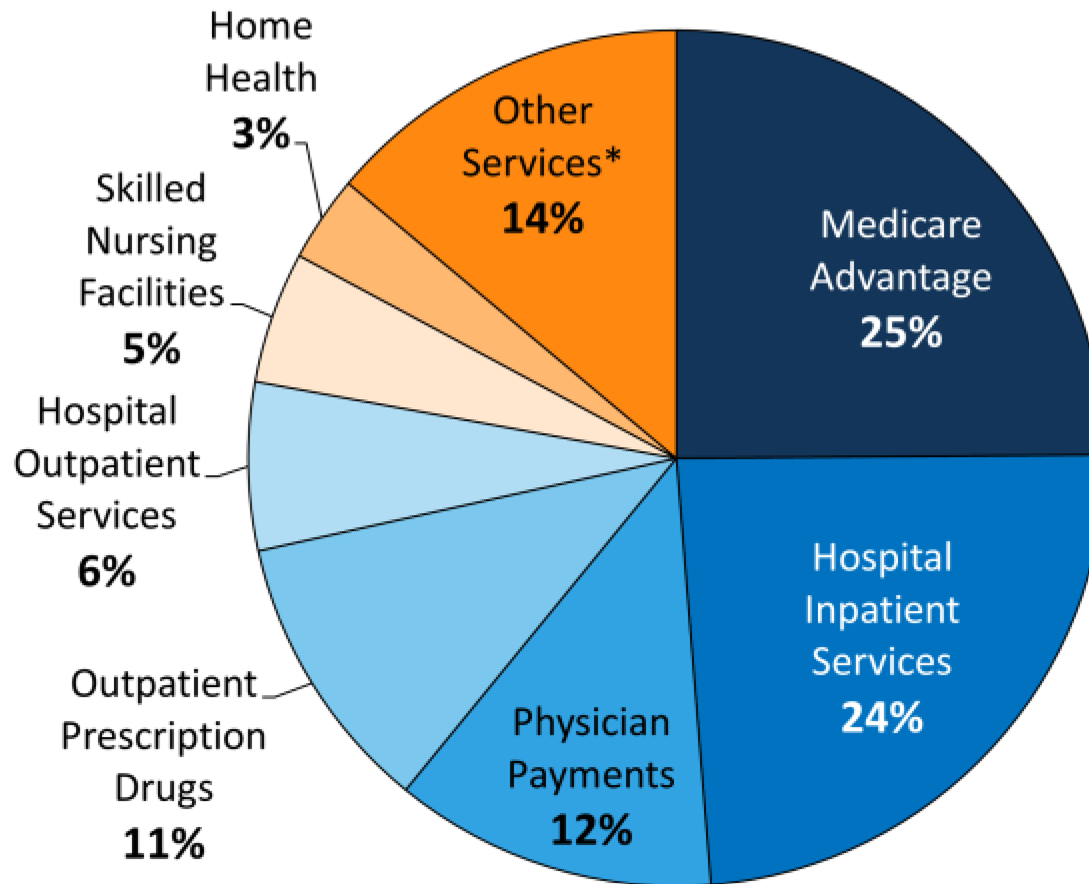
	Total Services	Home Health Care	Prescription Drugs	Hospital Services	Physician Services	Nursing Home Care	Dental Services
Medicare	$551	$34	$75	$243	$130	$35	$0.5
Total	$2,469	$80	$271	$937	$587	$156	$111

NOTE: Total also includes durable medical equipment, other professional services, and other personal health care/products. Medicare spending does not exclude income from premiums and other offsetting receipts. Medicare coverage of nursing home care reflects spending on freestanding skilled nursing facilities only (not custodial long-term care services).
SOURCE: Kaiser Family Foundation analysis of data from Centers for Medicare & Medicaid Services, Office of the Actuary, National Health Statistics Group, National Health Expenditures Tables (December 2014).

THE HENRY J. KAISER FAMILY FOUNDATION

Exhibit 2

Medicare Benefit Payments, 2013



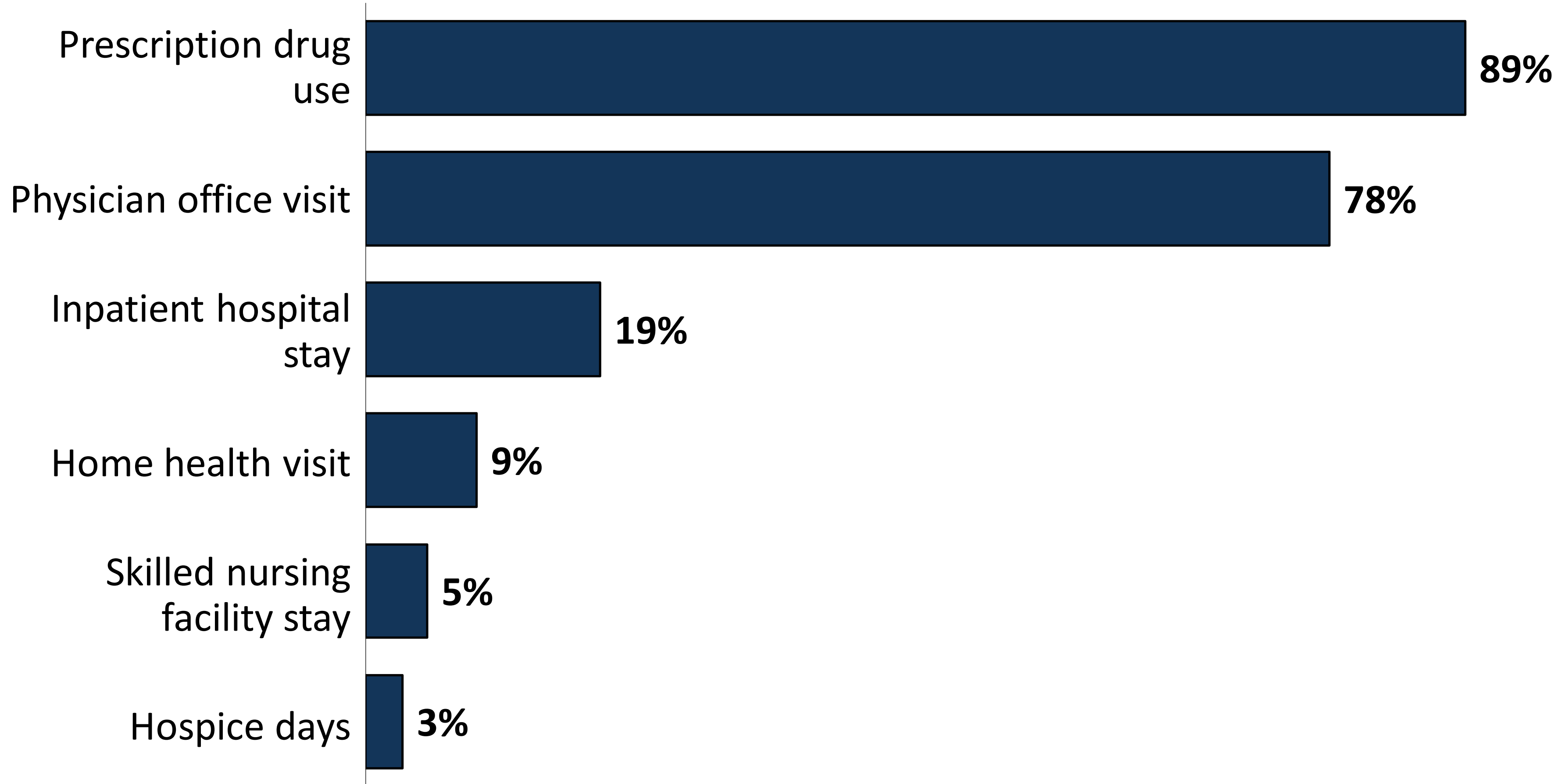
Total Medicare Benefit Payments = $583 billion

NOTE: *Consists of Medicare benefit spending on hospice, durable medical equipment, Part B drugs, outpatient dialysis, ambulance, lab services, and other Part B services; also includes the effect of sequestration on spending for Medicare benefits and amounts paid to providers and recovered.
SOURCE: Congressional Budget Office, 2014 Medicare Baseline (April 2014).

THE HENRY J. KAISER FAMILY FOUNDATION

Figure 8

Medicare Beneficiaries' Utilization of Selected Medicare-Covered Services, 2010



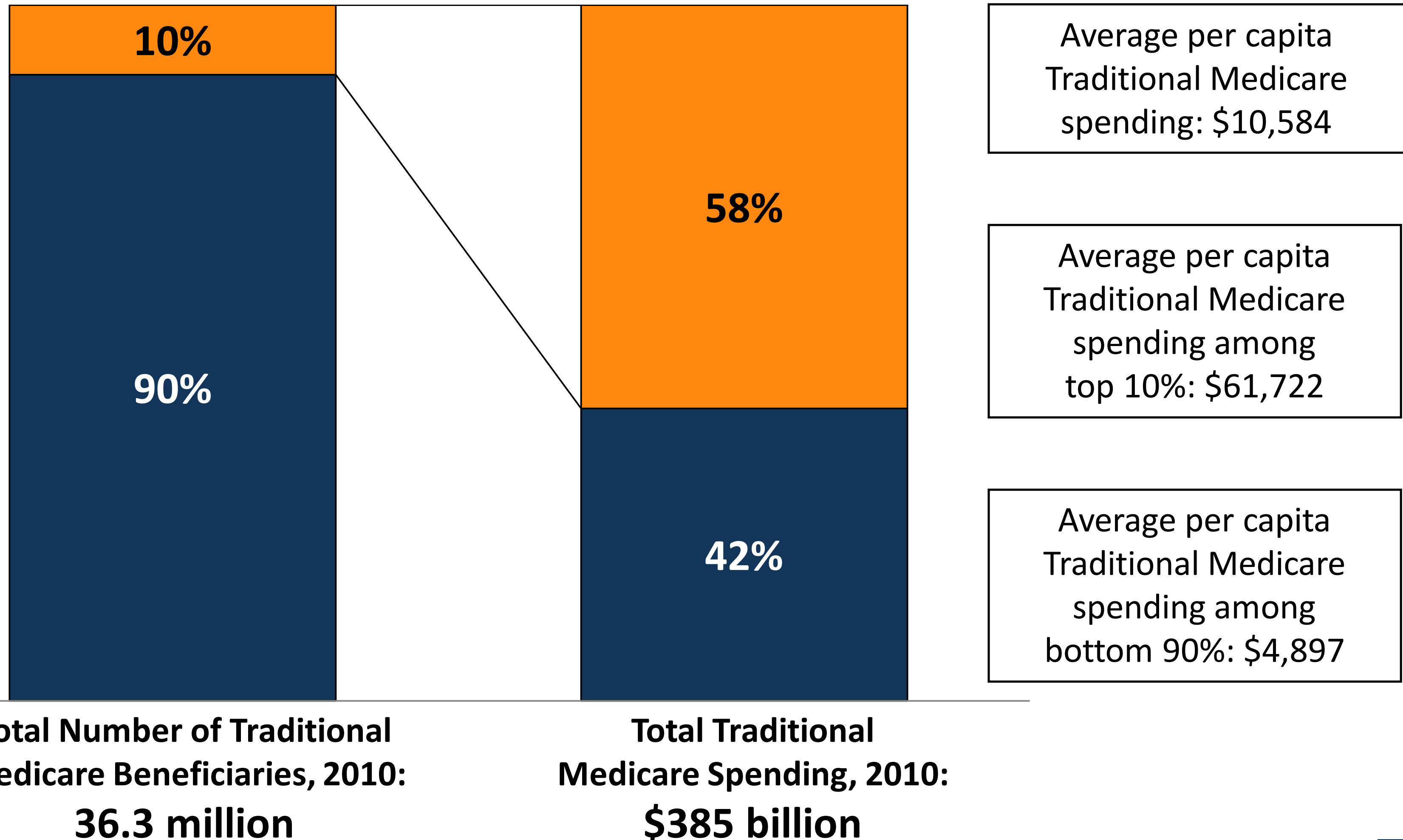
NOTE: Analysis excludes beneficiaries enrolled in Medicare Advantage.

SOURCES: Kaiser Family Foundation analysis of the Medicare Current Beneficiary Survey 2010 Cost and Use file.

THE HENRY J. KAISER FAMILY FOUNDATION

Figure 9

Distribution of Traditional Medicare Beneficiaries and Medicare Spending, 2010



NOTE: Excludes Medicare Advantage enrollees.

SOURCE: Kaiser Family Foundation analysis of the Medicare Current Beneficiary Survey 2010 Cost and Use file.

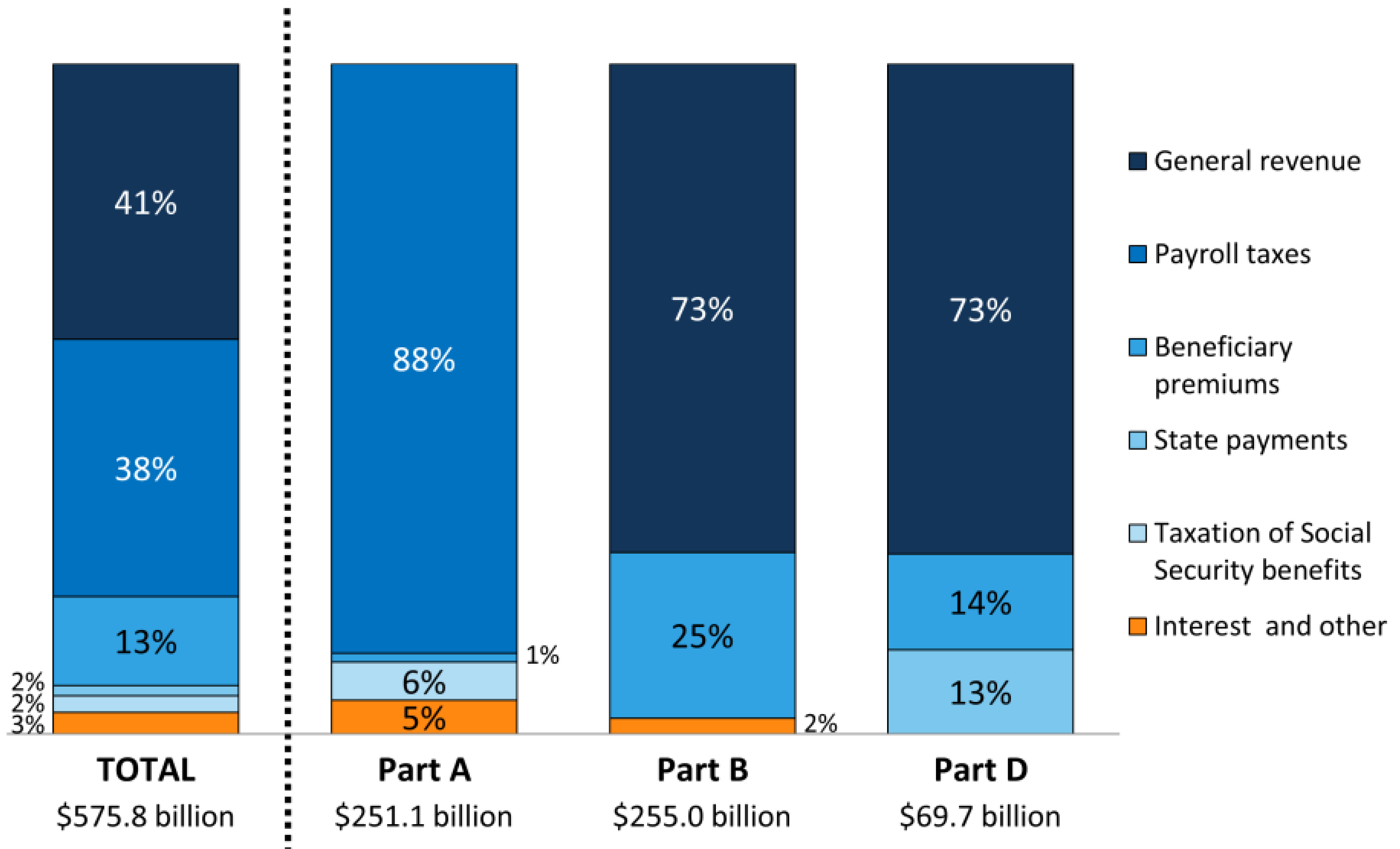
THE HENRY J. KAISER FAMILY FOUNDATION

4 Part Structure

- Part A: Hospital Insurance (HI)
- Part B: Supplemental Medical Insurance (SMI)
- Part C: Managed Care
- Part D: Prescription Drug benefit

Exhibit 5

Sources of Medicare Revenue, 2013



SOURCE: 2014 Annual Report of the Boards of Trustees of the Federal Hospital Insurance and Federal Supplementary Medical Insurance Trust Funds.

THE HENRY J. KAISER FAMILY FOUNDATION

Part A: Hospital Insurance

- Mandatory enrollment

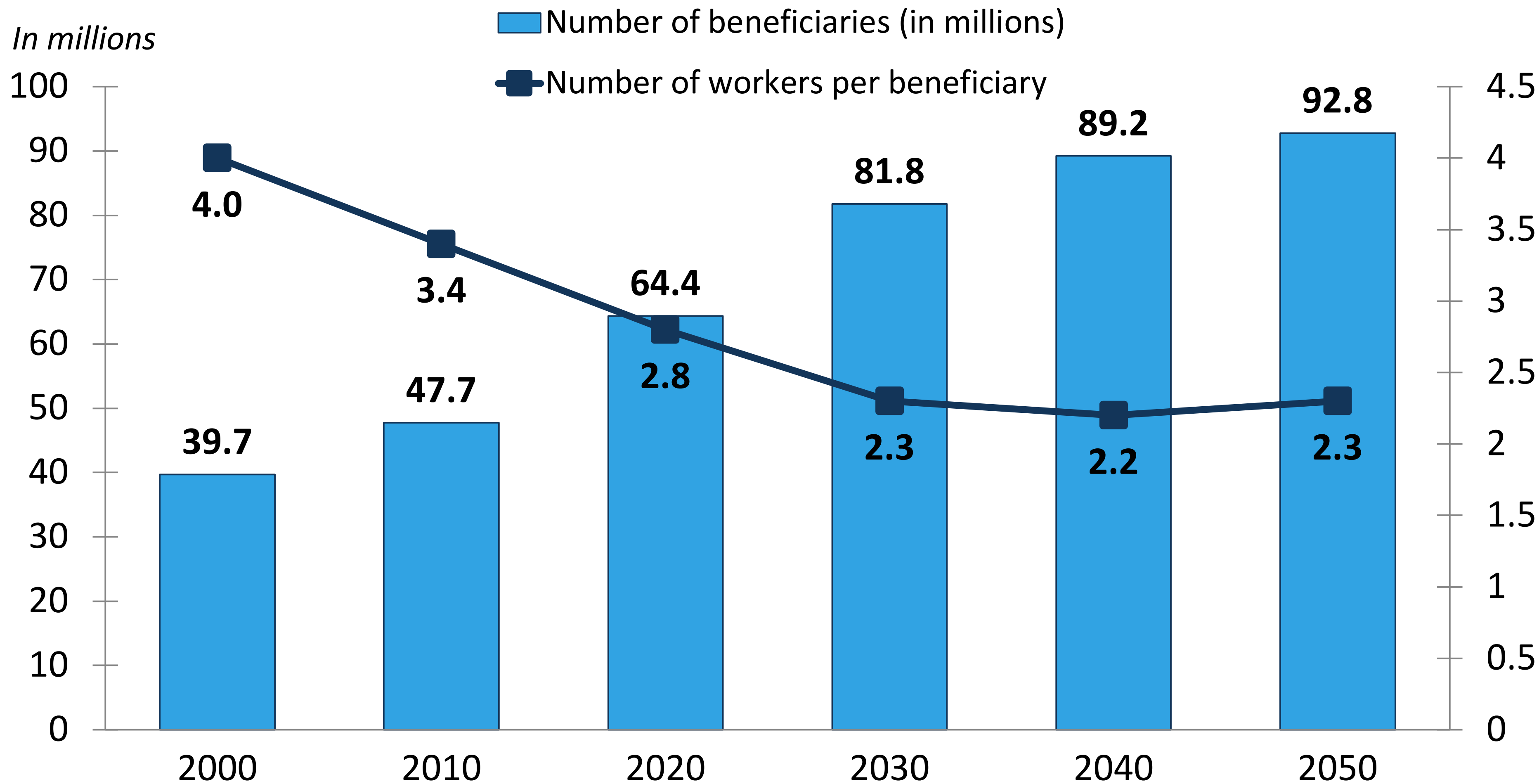
- Benefits
  - Inpatient hospital care
  - Skilled Nursing Facility (SNF)
  - Home health
  - Hospice care
  - Long-Term Care NOT covered

Part A: Hospital Insurance

- Financing
  - Mandatory payroll tax – employers and employees each pay 1.45%
    - Put into Hospital Insurance Trust Fund
    - Health reform: Increase payroll tax for wealthy by .9% and add a 3.8% Medicare tax on unearned income for high income earners
  - No premiums
  - Deductibles for each in patient stay
  - Cost sharing
    - Hospital care after 60 days
    - Skilled Nursing Facility care after 20 days
    - Outpatient drugs
    - Inpatient respite care

Figure 14

Number of Medicare Beneficiaries and Number of Workers Per Beneficiary, 2000-2050



SOURCE: Kaiser Family Foundation based on the 2014 Annual Report of the Boards of Trustees of the Federal Hospital Insurance and Federal Supplementary Medical Insurance Trust Funds.

THE HENRY J. KAISER FAMILY FOUNDATION

Part B: Supplemental Medical Insurance

- Voluntary (95% enrolled)
- Benefits
  - Physician services
  - Outpatient services, including Durable Medical Equipment
  - Specified preventive services
    - Expanded in health reform
  - Home health visits

Part B: Supplemental Medical Insurance

- Financing
  - General federal tax revenue
    - covers 72% of Part B costs
  - Monthly premium
    - Standard premium $134
    - Tiered so higher income pay more ($85,000/$170,000)
      - Pay between $134-$428 per month
      - Health reform freezes thresholds at 2010 levels
    - Covers 25% of Part B costs
  - Annual deductible ($183)
  - Cost sharing
    - Varies by service, but typically 20%

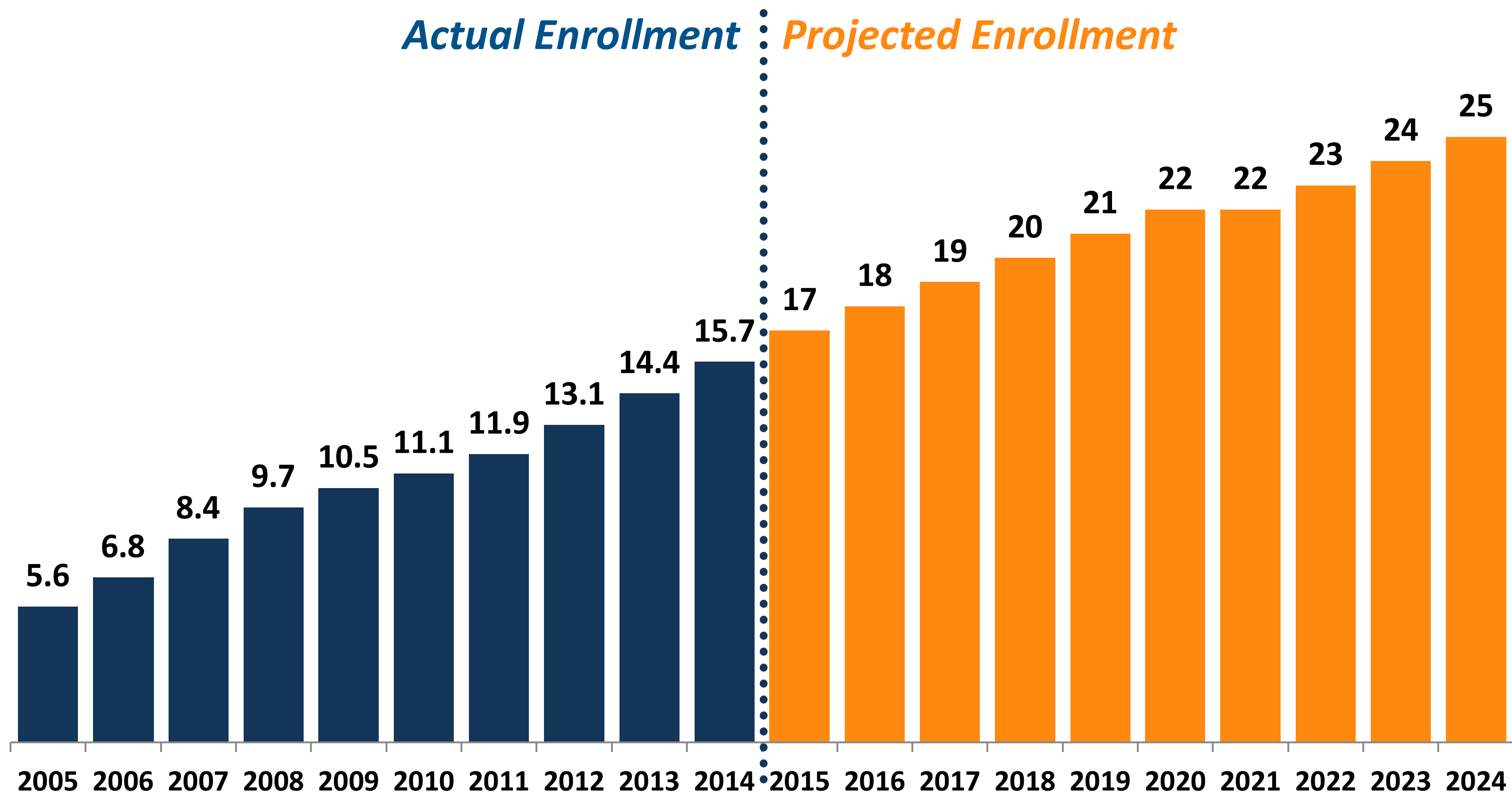
Part C: Managed Care (Medicare Advantage)

- Voluntary (33%/19 million enrolled)
- Patients enroll in private managed care plan
- Same benefits
  - May offer additional benefits
- Financed through Parts A, B, and D
  - Costs more per beneficiary than FFS
  - Health reform: payment reduction, cost-sharing limits, 85% medical loss ratio, quality bonuses

Exhibit 18

Medicare Advantage enrollment has increased rapidly and is projected to continue to rise

Medicare Advantage Enrollment (in millions), 2005-2024



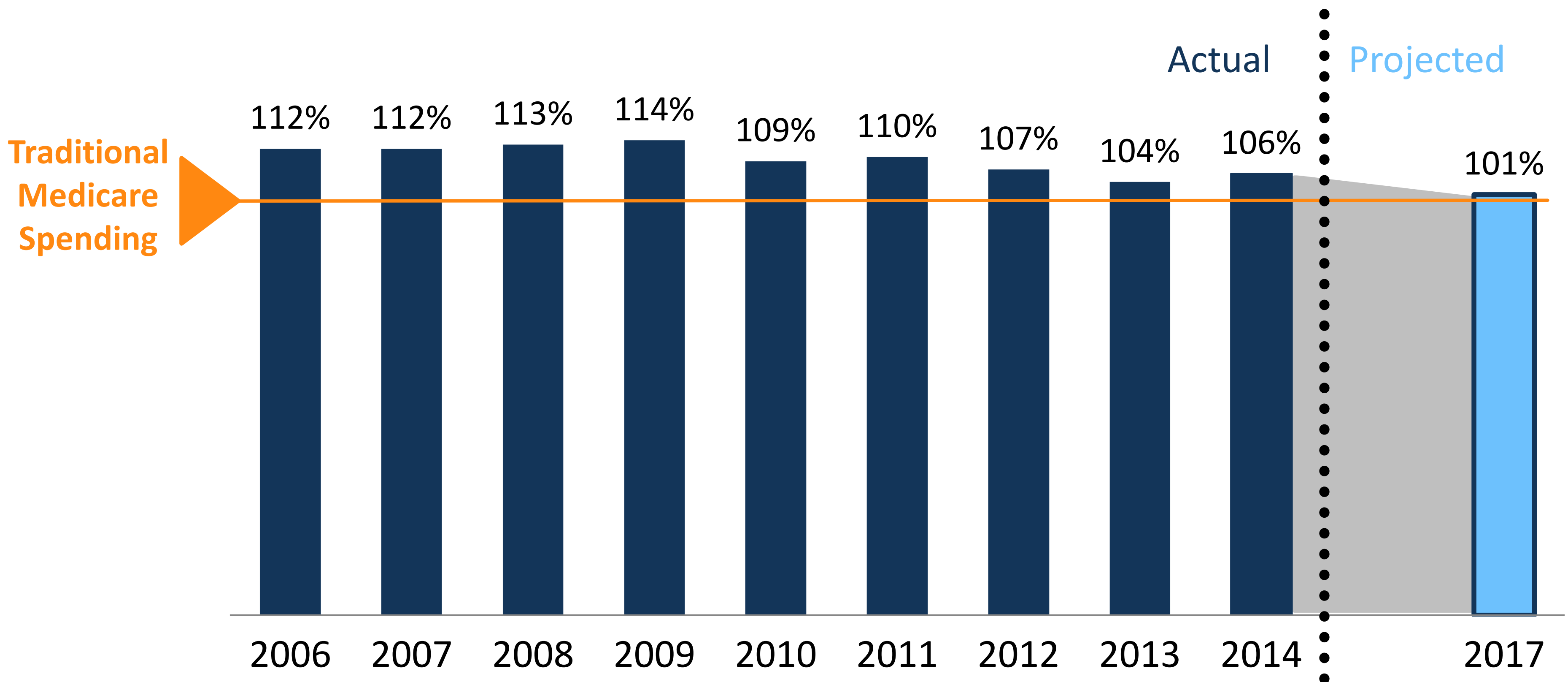
NOTE: Includes cost plans, MSAs, demonstrations, and Special Needs Plans, as well as other Medicare Advantage Plans.
SOURCE: KFF analysis of the Centers for Medicare and Medicaid Services (CMS) Medicare Advantage enrollment files, 2005-2014, and Congressional Budget Office, "Medicare Baseline," April 2014.

THE HENRY J. KAISER FAMILY FOUNDATION

Exhibit 19

Medicare has been paying more for beneficiaries in Medicare Advantage plans than for those in traditional Medicare

Average Medicare Advantage Payments as a Percentage of Traditional Medicare Spending



SOURCE: Medicare Payment Advisory Commission (MedPAC) Report to Congress, 2006-2014.

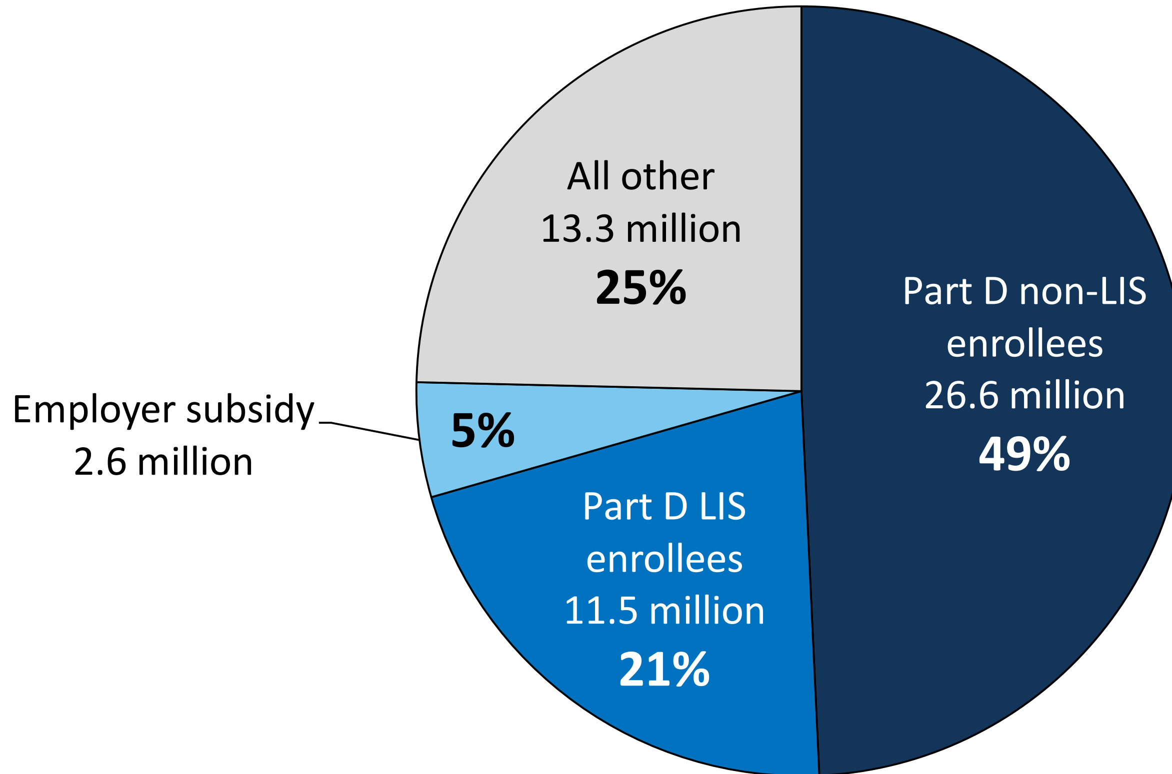
THE HENRY J. KAISER FAMILY FOUNDATION

Part D: Prescription Drug Benefit

- Voluntary (35 million enrolled)
  - Dual eligibles must receive drugs through Medicare
  - Penalty if don't enroll without equivalent coverage
  - Premiums tiered using same tiers as Part B
    - Avg. premium $33/month,
    - Covers outpatient prescription drugs
  - Federal guidelines for minimal formulary requirement
  - Variation in plan design, covered drugs, utilization management tools
- Offered through stand-alone prescription drug plans or Medicare Advantage
- Accounts for $1 out of every $6 in Medicare spending
  - Rapid growth in spending expected in next decade

Figure 21

Distribution of Sources of Prescription Drug Coverage Among Medicare Beneficiaries, 2014



Total Medicare Enrollment, 2014 = 54.0 million

Total Part D Enrollment (excluding employer plans), 2014 = 38.1 million

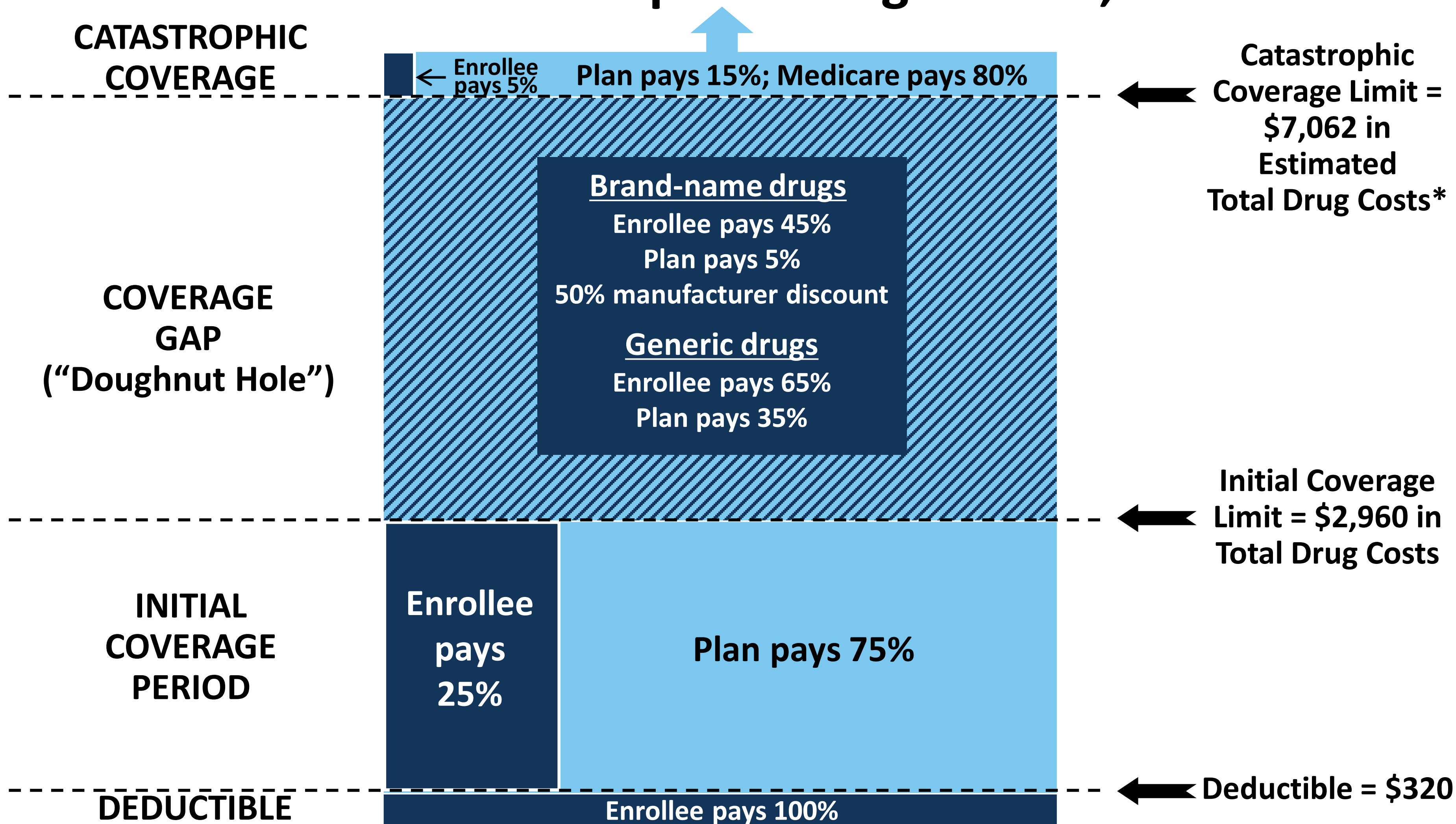
NOTE: LIS is low-income subsidy. Total Part D and Medicare enrollment based on 2014 intermediate estimates. Part D non-LIS enrollment includes enrollees in employer/group waiver plans (6.8 million in 2014).

SOURCE: Kaiser Family Foundation analysis of data from the 2014 Annual Report of the Boards of Trustees of the Federal Hospital Insurance and Federal Supplementary Medical Insurance Trust Funds.

THE HENRY J. KAISER FAMILY FOUNDATION

Figure 22

Standard Medicare Prescription Drug Benefit, 2015



NOTE: *Amount corresponds to the estimated catastrophic coverage limit for non-low-income subsidy enrollees ($6,680 for LIS enrollees), which corresponds to True Out-of-Pocket (TrOOP) spending of $4,700 (the amount used to determine when an enrollee reaches the catastrophic coverage threshold.

SOURCE: Kaiser Family Foundation illustration of standard Medicare drug benefit for 2015 (standard benefit parameter update from Centers for Medicare & Medicaid Services, 2014). Amounts rounded to nearest dollar.

THE HENRY J. KAISER FAMILY FOUNDATION

Provider Reimbursement

- Physicians
  - Eliminated Standard Growth Rate, replace with quality based system
  - Health reform: primary care bonus
- Hospitals
  - Inpatient: Diagnostic Related Groups (DRG)
  - Outpatient: Ambulatory Payment Classification (APC)
  - Health reform: reduce market basket updates, DSH payments, services associated with preventable readmissions and hospital-acquired conditions
- Managed Care
  - Submit bid to federal government
  - Actual payment depend on relation to benchmark
  - Health reform: payment reductions

Medicare Quality Measurement in Health Reform

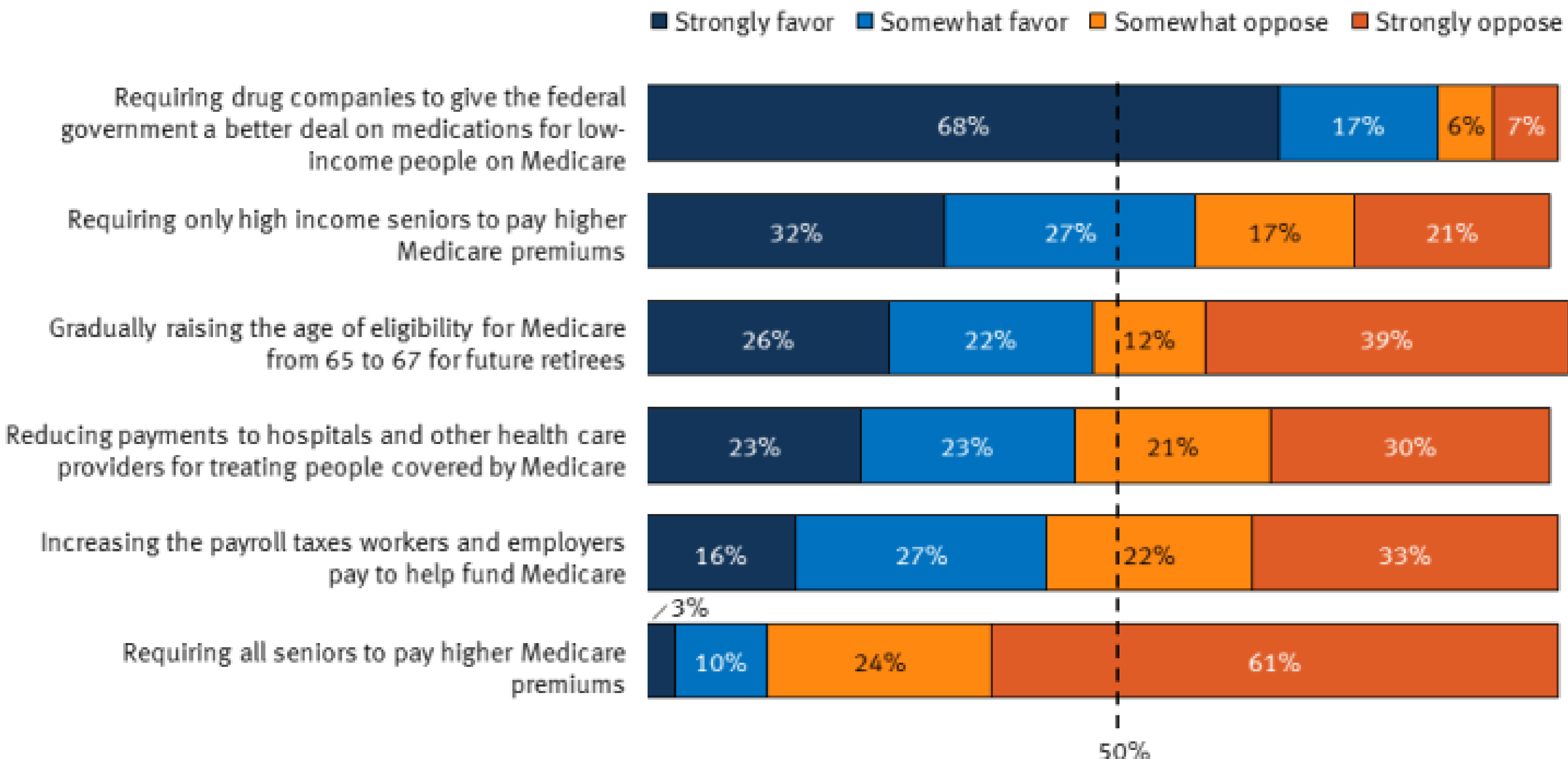
- HHS must identify gaps and develop needed quality measurements and outcome measures
- Incentive payments for physicians (expanded by MACRA – MIPS and APMs)
- Quality reporting requirements for LTC, inpatient rehabilitation, psychiatric, PPS-exempt cancer hospitals and hospice programs
- Value-based purchasing for many hospitals and physicians (plus plans to expand to other providers)
- Public reporting of quality information

Additional Medicare Health Reform Changes

- Center for Medicare and Medicaid Innovation
  - Test innovative payment and service delivery models while maintaining or improving quality
- Medicare Independent Payment Advisory Board - ELIMINATED
- Accountable Care Organizations
- Medicare demonstration projects to improve quality
  - Value based purchasing
- Independence at home demonstration
- Additional fraud and abuse prevention efforts
- Bundled payment pilot program

Support For Various Deficit Reducing Changes to Medicare

I'm going to read you some changes to the Medicare program that have been discussed as ways to reduce the federal budget deficit. Please tell me whether you would generally favor or oppose each one.



NOTE: Don't know/Refused answers not shown.
SOURCE: Kaiser Family Foundation/Robert Wood Johnson Foundation/Harvard School of Public Health, The Public's Health Care Agenda for the 113th Congress (conducted January 3-9, 2013)

THE HENRY J. KAISER FAMILY FOUNDATION