Health Reform and the Aged

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Fall 2014

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Disclosure of Interest

Research Support
1. Missouri Foundation for Health, “Evaluation of Affordable Care Act,” (co-PI)
2. CMS, “The Center for Contraceptive Excellence: an innovative health services delivery and payment model” (co-PI)
3. HHS/HRSA, “Rural Policy Research Institute (RUPRI) Center for Rural Policy Analysis” (co-PI)
4. HHS/HRSA, “Rapid Response” (Faculty)
5. HHS/HRSA, “Rural Health Systems Technical Assistance” (Investigator)
6. National Cancer Institute, “Research Among State Level Policymakers” (Faculty)
7. NIH, Diabetes Research Training Center (Faculty)
8. AHRQ, “Health Reform Implementation” (Faculty)

Speakers Bureau: n/a
Clinical Trials: none
Consultant:
• Rural Policy Research Institute
• Centene

I own no stocks or equity in any pharmaceutical company
Setting the Stage for the ACA

- Medicare remains extremely popular

Nearly all seniors continue to be satisfied with Medicare.

Over 60% of seniors are satisfied with Medicare, with 6 in 10 very satisfied.

<table>
<thead>
<tr>
<th>Satisfaction with Medicare</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>SATISFIED</td>
<td>92%</td>
</tr>
<tr>
<td>NOT SATISFIED</td>
<td>4%</td>
</tr>
<tr>
<td>Very satisfied</td>
<td>30%</td>
</tr>
<tr>
<td>Somewhat satisfied</td>
<td>31%</td>
</tr>
<tr>
<td>Not too satisfied</td>
<td>4%</td>
</tr>
<tr>
<td>Not at all satisfied</td>
<td>2%</td>
</tr>
<tr>
<td>Don’t know</td>
<td>2%</td>
</tr>
</tbody>
</table>

Chart: How satisfied are seniors with Medicare health care? (Sample size is 1,000 seniors)

Medicare a constant target of federal legislation:

Net Effect of Major Legislation on Share of Medicare Spending (10-year average)

<table>
<thead>
<tr>
<th>Legislation</th>
<th>10-yr Medicare spending/savings (in $ trillions):</th>
</tr>
</thead>
<tbody>
<tr>
<td>BBA (1997)</td>
<td>-$394</td>
</tr>
<tr>
<td>BBRA (1999)</td>
<td>$25</td>
</tr>
<tr>
<td>BIPA (2000)</td>
<td>$82</td>
</tr>
<tr>
<td>MMA (2003)</td>
<td>$391</td>
</tr>
<tr>
<td>DRA (2005)</td>
<td>-$23</td>
</tr>
<tr>
<td>MIPPA (2008)</td>
<td>-$2</td>
</tr>
<tr>
<td>PPACA (2010)</td>
<td>-$424</td>
</tr>
</tbody>
</table>

10-yr Medicare baseline amounts (in $ billions):

- BBA (1997): $3.4
- BBRA (1999): $3.2
- BIPA (2000): $3.2
- MMA (2003): $3.9
- DRA (2005): $5.6
- MIPPA (2008): $6.8
- PPACA (2010): $7.1

Source: Kaiser Family Foundation analysis of Congressional Budget Office (CBO) estimates.

Notes: Shares are rounded to the nearest whole number. Net spending as a percent of baseline for MIPPA is rounded up from -0.02%; estimate for DRA is rounded from -0.47%. Baseline amounts are based on CBO projections of 10-year Medicare baseline spending prior to enactment of legislation.

The Affordable Care Act and the Aged
Affordable Care Act

- Major ACA titles
  - Insurance coverage and reform (I)
  - Public programs (II)
  - Quality and efficiency (III)
  - Public health (IV)
  - Workforce (V)
  - Transparency (VI, VII)
  - Long-term care (VIII)
  - Revenues, financing (IX)

- New emphases
  - Insurance coverage
  - Primary care
  - Financing innovations

- Key Point:
  - Major focus is on non-elderly uninsured, not aged

Health Reform Implementation Timeline

- 2010: Temporary high risk pool for pre-existing conditions on 7/1
- 2011: Temporary reinsurance program for ages 50-64 starts on 7/1
- 2012: Tax credits for businesses with <25 employees began on 1/1/10
- 2013: Plan years beginning after 9/23/10
- 2014: Consumer Operated and Oriented Plan (CO-OP)
- 2015: Single set of rules for processing claims
- 2016: 5-year wellness grants to eligible employer groups
- 2017: Begin Exchanges & SHOPs
- 2018: Employers >50 play or pay

- 2014: Begin individual mandatory enrollment
- 2015: Begin individual subsidies in Exchanges
- 2016: Reduced out of pocket limits for certain income levels
- 2017: Fee on health plans based on market share

- 2018: 40% excise tax on high cost ['Cadillac'] insurance plans
Affect of ACA on Uninsurance in the U.S.: Early Indications?

- Huge drop in uninsurance rates since 3rd quarter 2013 to 2nd quarter 2014
  - from 17.9% to 13.9% (4 percentage points): 22.3% drop in uninsured in just two quarters.
- Larger – 5 percentage-point drop in states that expanded Medicaid – a 33.1% drop

Source: Urban Institute, Health Reform Monitoring Survey.

Health Reform: Increases in Medicare Spending

- The Health Reform Law contains many Medicare related provisions
  - Include spending increases, including coverage expansion,
  - Reductions in spending by improving efficiency, delivery and quality of care
- $105 billion in Medicare spending increases over 10 years
  - $43 billion to gradually close the Part D doughnut hole ($43 billion)
  - $5 billion for prevention benefits including new annual wellness visit ($5 billion)
    - No deductibles or coinsurance on prevention plans that receive an A or B grade from US Prevention Services Task Force
  - $8 billion for primary care physicians and other providers ($8 billion)

Source: Kaiser Family Foundation analysis of Congressional Budget Office (CBO) cost estimates as provided on March 20, 2010.
**Standard Medicare Prescription Drug Benefit, 2020**

**Before and After Health Reform**

**Before:**
- 5% paid by enrollee
- 15% paid by plan, 80% paid by Medicare
- 100% paid by enrollee

**After:**
- 25% paid by enrollee
- 75% paid by plan
- Catastrophic coverage
- 15% paid by plan, 80% paid by Medicare
- 100% paid by enrollee

**Brands:**
- 50% discount
- 25% paid by plan

**Generics:**
- 75% paid by plan

**Coverage gap**
- Initial

**Deductible**
- 25% paid by enrollee
- 75% paid by plan
- 100% paid by enrollee

**Sources:**
- Kaiser Family Foundation illustration of standard Medicare drug benefit in 2020 under the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act of 2010.

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**Health Reform: Medicare “Savings”**

**Sources of Savings**

- **Provider payments, including DSH and home health** ($219 billion)
- **Medicare Advantage** ($136 billion)
- **Income-related premiums** ($36 billion)
- **Independent Payment Advisory Panel** ($16 billion)
- **Delivery system reforms and hospital readmissions** ($12 billion)

**Ten-Year Medicare Savings = $533.1 Billion**

Source: Kaiser Family Foundation analysis of Congressional Budget Office (CBO) cost estimates as provided on March 30, 2010.

Notes: *Savings include interactions with Medicare Advantage and TRICARE; spending includes implementation of Medicare changes, Part D interactions with Medicare Advantage provisions, Part B interactions with Part D provisions, and Medicaid interactions with Medicare Part D provisions.*
Medicare Advantage: A Major Share of Savings Under ACA

- **Beneficiaries have choice of**
  - fee-for-service “original” Medicare
  - or can enroll in a Medicare Advantage (MA) plan (such as HMOs and PPOs)
- **Medicare Advantage plans are paid a fixed amount per enrollee**
  - But more than it would pay under traditional Medicare
  - Relatively high payment to plans has resulted in an increase in plan availability and enrollment
  - “Overpayments” to plans shorten the life of the Part A Trust Fund and increase Part B premiums
- **Key Provisions**
  - Freezes benchmarks for 2011; phases in reductions, based on FFS costs in county
  - Reduces plan’s share of rebate from 75% to 50% for most plans (2012)
  - Provides new bonus and higher rebates to plans receiving high quality ratings (2012)
- **Impact on Beneficiaries**
  - Fewer enrollees (CBO), Fewer extra benefits (CBO), Possibly fewer plans?
  - Reality?
    - MA still growing
    - Payment changes mitigated

ACA and Medicare-related revenue sources

- **Higher premiums for higher-income Medicare beneficiaries**
  - Higher premiums under Parts B and D.
  - Income threshold frozen for Part B premium at $85,000/individuals and $170,000/couples; income thresholds will no longer be indexed for inflation (2011)
  - Income-related Part D premium established with same fixed income thresholds as Part B (2011)
- **Increase in Medicare Part A tax**
  - From 1.45% to 2.35% on earnings over $200,000/individuals and $250,000/couples (2013)
Exhibit 2

Overview of Medicare Part B Premiums Under Current Law

<table>
<thead>
<tr>
<th>My income is...</th>
<th>Less than $85,000</th>
<th>$85,001 - $107,000</th>
<th>$107,001 - $160,000</th>
<th>$160,001 - $214,000</th>
<th>More than $214,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>My monthly Part B premium in 2014 is...</td>
<td>$105</td>
<td>$147</td>
<td>$210</td>
<td>$273</td>
<td>$336</td>
</tr>
</tbody>
</table>

Share of program costs paid by beneficiaries
- 25%
- 35%
- 50%
- 65%
- 80%

Share of Part B beneficiaries in this income level
- 95%
- 2%
- 2%
- < 1%
- < 1%


ACA Delivery and Payment Reforms

- Coordinated Health Care Office in CMS for dual eligibles (2010)
- Center for Medicare and Medicaid Innovations (CMMI) (2011)
- Shared Savings/Accountable Health Organizations (2012)
- Reduces payments for preventable hospitalizations (2012)
  - Hospital readmission reduction program: Payment reduction for readmissions within 30 days of discharge (based on the ratio of aggregate payments for readmissions to aggregate payments for all discharges)
- Independents at Home demonstration project with shared savings (2012)
- Value-based purchasing for hospitals (2012)
- National pilot to bundle payments for hospital and post-acute care (2013)
- Reduces payments for hospital-acquired conditions (2015)
  - Penalties for high rates of hospital acquired conditions: highest 25% of hospitals would be penalized beginning in 2015
- Establishes mandatory physician quality reporting program (2015)
  - Bonus payments to physicians for outcomes (Value-Based Physician Payment Modifier, VBPM); Budget neutral; phase in starts in 2015, complete by end of 2017
- CBO estimates these initiatives will reduce Medicare spending by $12 billion over ten years
Rate of Medicare Spending Projected to Slow

Congressional Budget Office Projections

Medicare Baseline Spending (in $ billions)

Baseline Medicare Spending

Projected Savings

Medicare Spending AFTER Health Reform


$523 $570 $580 $617 $652 $675 $725 $732 $748 $771 $845

$50 billion $943 $854 $819 $787 $732 $771 $845

NOTE: Estimates do not take into account future changes to the Sustainable Growth Rate formula to prevent reduction in fees.


Medicare spending is expected to be $1,000 lower per beneficiary in 2014 than was projected in 2010, and $2,400 lower in 2019

2010 baseline 2011 baseline 2012 baseline 2013 baseline 2014 baseline

Difference between 2010 and 2014 baselines in 2019

$12,549 $12,325 $12,237 $12,413 $12,369

$-1,048 $1,328 $1,376 $1,413 $1,489

Medicare Part A Trust Fund

Projection: Health reform legislation will extend the life of the Medicare Part A Trust Fund from 2017 to 2029.

Have we Bent the Cost Curve?

- National health expenditures (NHE) growing about 5%
- Close to growth in GDP (roughly 4%) since 2007:
  - real health spending up at an annual rate of 2.4%
Curve has already bent?
Reductions in National Health Spending Projections

<table>
<thead>
<tr>
<th></th>
<th>April 2010 (Billions$)</th>
<th>September 2013 (Billions$)</th>
<th>Drop in Projected Spending (Billions$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total National Health Expenditures</td>
<td>$4,717</td>
<td>$4,142 billion</td>
<td>$574 billion</td>
</tr>
</tbody>
</table>

Causes for reductions in Projected Spending:
- Stagnating economy (about 25%)
- Slower growth in spending by Insurers (50%)
- Other factors (25%)

“...we would argue that even from a purely “green eyeshade” viewpoint, the bill will significantly reduce costs. Projections suggest that with reform, total health care expenditures as a percentage of the gross domestic product will be 0.5% lower in 2030 than they would otherwise have been.” – Orszag and Emanuel, NEJM, 2013

“...we infer that the observed slowdown in national health care spending could persist in the future...In addition, health reform; changes in payment methodologies, such as the use of more global payments; and the transformation of the delivery system’s organization could all have long-lasting effects. These trends, too, may cause the slowdown in spending growth to be more permanent.” – Ryu, Gibson, McKellar, Chernew, 2013.

Medicaid Fast Facts

<table>
<thead>
<tr>
<th>67 million</th>
<th>People in the United States with Medicaid coverage.</th>
</tr>
</thead>
<tbody>
<tr>
<td>$440 billion</td>
<td>State and federal Medicaid spending for FY 2012.</td>
</tr>
<tr>
<td>9-12 million</td>
<td>Additional Medicaid/CHIP beneficiaries between 2014-2019, pending state decisions on Medicaid expansion.</td>
</tr>
<tr>
<td>48%</td>
<td>Births in the United States covered by Medicaid.</td>
</tr>
<tr>
<td>1 in 3</td>
<td>Children in the United States covered by Medicaid.</td>
</tr>
<tr>
<td>57%</td>
<td>Medicaid beneficiaries under 65 who are from diverse racial/ethnic groups.</td>
</tr>
<tr>
<td>5%</td>
<td>Medicaid beneficiaries, many with chronic illnesses and disabilities, accounting for 55% of total Medicaid spending.</td>
</tr>
<tr>
<td>49%</td>
<td>Medicaid beneficiaries with disabilities diagnosed with mental illness.</td>
</tr>
<tr>
<td>43%</td>
<td>Total long-term care costs in the United States financed by Medicaid.</td>
</tr>
<tr>
<td>39%</td>
<td>Percentage of Medicaid dollars spent on Medicare-Medicaid enrollees.</td>
</tr>
<tr>
<td>72%</td>
<td>Medicaid recipients who are enrolled in managed care.</td>
</tr>
</tbody>
</table>
“Dual Eligibles”

- Medicare beneficiaries who are also eligible for some level of assistance from Medicaid
  - Medicare is primary payer
  - Medicaid covers the gaps
- Over 9.6 million older Americans and younger persons with disabilities were covered under both the Medicare and Medicaid programs in FY 2010
- They account for 14% of Medicaid enrollment and 36% of Medicaid expenditures
- 65% of expenditures are for long-term care services
- About 60% of dual eligibles are 65 or older

ACA Provisions relating to “Dual Eligibles” (Medicare and Medicaid)

- New Entities
  - Coordinated Health Care Office to improve care coordination for dual eligibles (FCHCO or Duals Office)
  - Innovative models tested by CMMI or Innovation Center
- Coordination of Care
  - Demonstration projects: Independence at home, health homes, chronically ill
- Preventive Benefits (provisions not exclusive to dual eligibles)
  - New Medicare annual wellness benefit, preventive services
- Medicare Part D Prescription Drug Plans
  - Improvements for Low-Income Subsidy (LIS) recipients
  - Elimination of cost-sharing for certain full benefit dual eligible individuals
  - Improvements in formularies
- Medicare Advantage Plans
  - Extended authority for MA plans for special needs individuals (SNP)
  - Permanently authorization of senior housing facility demonstration
  - Hold harmless for PACE programs
- Long-Term Care (provisions not exclusive to dual eligibles)
  - Medicaid Community First Choice Option
  - Money Follows the Person demonstration extended
  - Temporary spousal impoverishment protection
  - Community Living Assistance Services and Supports (CLASS) Program created, then suspended
- Advisory Bodies
  - MACPAC to study the interaction of Medicaid and Medicare policies
  - IPAB to take into account the unique needs of dual eligibles
Status of Medicaid Expansion Decisions, 2014

Current Status of State Medicaid Expansion Decisions

State activity on Medicaid Expansion:
- 28 Moving Forward
- 2 Debate Ongoing
- 21 Not Moving Forward

NOTE: Data are as of August 18, 2014. All 11, 13, and 14 have approved Section 1115 waivers for Medicaid expansion. In NY, coverage will begin in January 2015. This is expected to increase the Medicaid expansion to 28 states, with 20 states currently enrolling in 2014 to cover those who meet employer eligibility limits. States failing to implement the Medicaid expansion plan and meeting certain ESI thresholds in 2014 may be subject to fines if they fail to implement the Medicaid expansion. States that implement the Medicaid expansion by 2014 may be subject to fines if they fail to implement the Medicaid expansion. States that implement the Medicaid expansion by 2014 may be subject to fines if they fail to implement the Medicaid expansion. States that implement the Medicaid expansion by 2014 may be subject to fines if they fail to implement the Medicaid expansion.


 Millions of poor adults will be left without a coverage option in states that do not expand Medicaid under the ACA.

NOTE: Applies to states that do not expand Medicaid. In most states not moving forward with the expansion, adults without children are ineligible for Medicaid. Based on state Medicaid expansion decisions as of 2014.
Current Medicaid Eligibility vs. Eligibility under Health Reform in Missouri

Source: MO HealthNet


The Politics of Medicare and Future Medicare Problems

HANDS OFF SOCIAL SECURITY MEDICARE MEDICAID

WWW.SAYNOCUTS.ORG
Future Challenges

- The “Baby Boom” generation and pressures on Medicare and Medicaid
- Maintaining and improving access to care, and quality of care, in the face of pressure to constrain the growth in Medicare spending
- Assuring health care is affordable to people on Medicare, particularly those with modest incomes and serious health needs
  - Declines in supplemental coverage

Fiscal Realities: Contrasting recent additions to health safety net: Part D and ACA, 2010-19

<table>
<thead>
<tr>
<th></th>
<th>Obama’s ACA</th>
<th>G.W. Bush’s Part D</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Cost</td>
<td>$938 Billion</td>
<td>$1,078 Billion</td>
</tr>
<tr>
<td>Savings to Federal Deficit</td>
<td>$124 Billion</td>
<td>Total Addition to the Federal Deficit</td>
</tr>
<tr>
<td>Taxes and other revenues</td>
<td>54%</td>
<td>Premium</td>
</tr>
<tr>
<td>Spending reduction</td>
<td>46%</td>
<td>Deficit</td>
</tr>
</tbody>
</table>

Source: Congressional Budget Office, 2010
Source: Social Security Administration, 2011.
On our present course, spending on entitlements will eventually consume almost all revenues if no policies are changed.

Source: CBO (2011).


Projected Number of Years to Insolvency and Projected Year of Insolvency:

Year of Trustees' Report

|-------------------------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|

NOTES: 'Insolvency' refers to the depletion of the trust fund. No insolvency projections were made for 1973-1975 and 1989. For all other years not displayed, the Hospital Insurance Trust Fund was projected to remain solvent for 17 or fewer years.

Supplemental Coverage: Nearly one in three Medicare Beneficiaries has a supplemental retiree health plan

Supplemental Coverage: Nearly one in three Medicare Beneficiaries has a supplemental retiree health plan

### Total Medicare Beneficiaries, 2010 = 48.4 Million

**NOTES:** Supplemental coverage was assigned in the following order: 1) Employer-Sponsored Insurance and Retiree Health Coverage, 2) Medicare Advantage, 3) Medicaid, 4) Medigap, 5) Other public/private coverage. Individuals with more than one source of coverage were assigned to the category that appears highest in the ordering. SOURCE: Kaiser Family Foundation analysis of the CMS Medicare Current Beneficiary Survey Cost and Use File, 2010.

### The Politics: Which party wants to Kill Medicare?

- 1977: first Social Security financial crisis averted, large tax increases (Carter)
- 1981: Reagan proposes Social Security reductions; Senate rejects 99-0
- 1983: Social Security Amendments; DRGs and RBRVS for Medicare (Reagan/bipartisan)
- 1995: Republicans propose Medicare cuts; Democrats attack
- 1997: Balanced Budget Act pass; biggest Medicare cuts ever (Clinton/Newt)
- 2003: Bush leads passage of Part D; largest expansion of Medicare ever (Bush/Dems)
- 2009: Obama plan proposed: Republicans attack Medicare “death panels”
- 2011: Ryan plan proposed; Democrats claim plan will kill Grandma
- 2012: Ryan nominated as Vice President; parties debate $716 billion “cut” to Medicare
- 2013: MedPAC report recommends changes with estimated $900 billion year one savings
Medicaid is a budget item and a revenue item in state budgets.

<table>
<thead>
<tr>
<th>Category</th>
<th>Medicaid</th>
<th>Elementary &amp; Secondary Education</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total State Spending</td>
<td>56.4%</td>
<td>46.6%</td>
<td>45.0%</td>
</tr>
<tr>
<td>State General Funds</td>
<td>19.9%</td>
<td>35.3%</td>
<td>10.8%</td>
</tr>
<tr>
<td>Federal Funds</td>
<td>23.7%</td>
<td>18.1%</td>
<td>44.2%</td>
</tr>
</tbody>
</table>

SOURCE: Kaiser Commission on Medicaid and the Uninsured estimates based on the NGAES’s November 2013 State Expenditure Report (data for Actual FY 2012)

Medicare Policy Resources

- Kaiser Family Foundation’s Medicare Policy Project: [www.kff.org/medicare](http://www.kff.org/medicare)
  - [Medicare Health and Prescription Drug Plan Tracker](http://www.kff.org/medicare/healthplantracker/)
  - [State Facts on Medicare](http://www.statehealthfacts.org/cgi-bin/healthfacts.cgi)
- Medicare (the official government website): [www.medicare.gov](http://www.medicare.gov)
Questions, Discussion?

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- Questions??