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Medicare Policy

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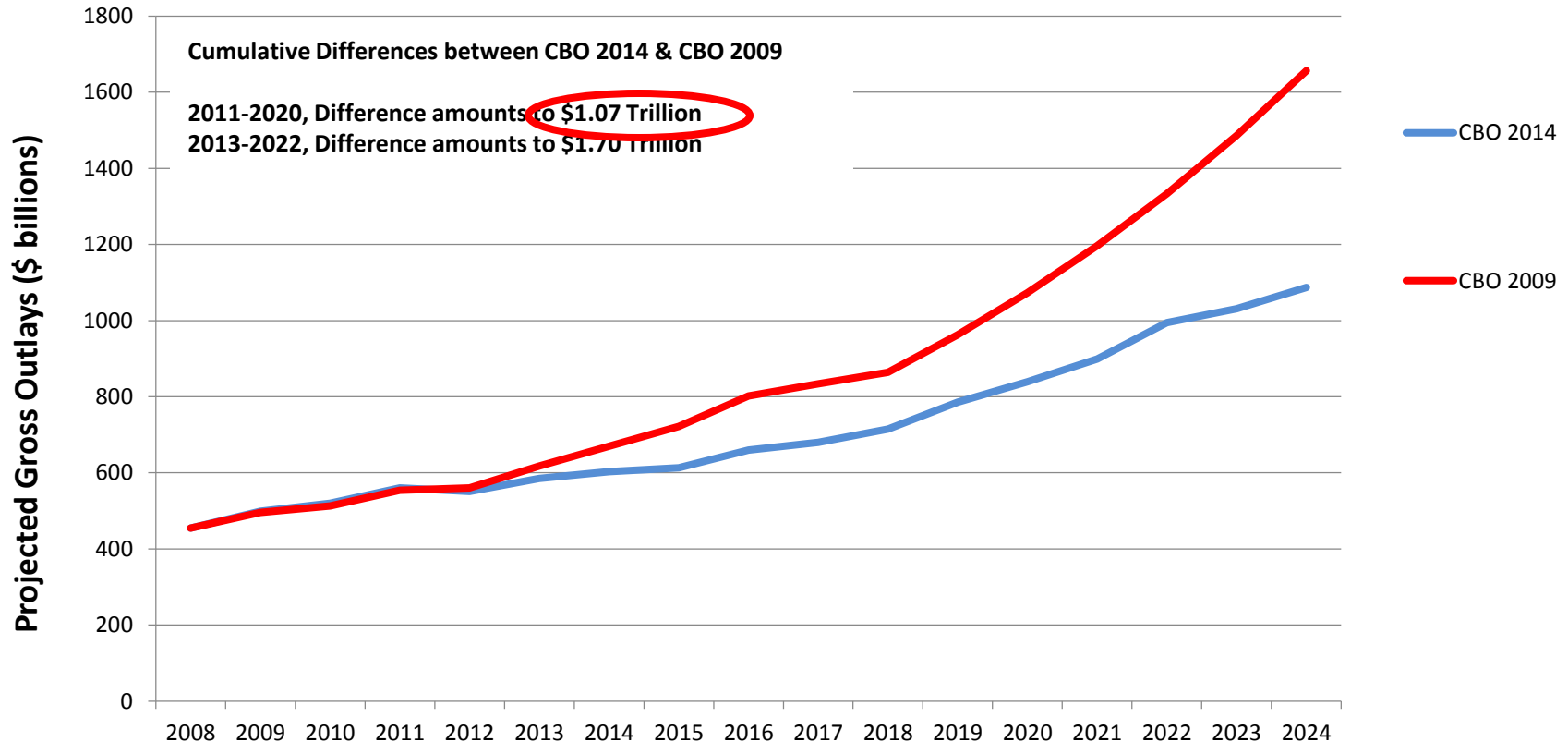
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Medicare Has Achieved its Goals and Been an Innovative Leader for 50 Years

- Medicare beneficiary reported access to care exceeds that of those under age 65
- Uninsured rate declined from 48% prior to Medicare to 2% now
- Life expectancy at age 65 increased by five years
- Medicare payment innovations have been widely adopted by other payers and other countries
- The CMS Center for Medicare and Medicaid Innovation is testing cutting-edge payment and delivery system reforms
- Medicare per beneficiary spending has grown more slowly than health spending per capita and growth is currently at historically low rates
- Medicare has a successful insurance exchange with choice of Traditional Medicare and Advantage plans; new 4-5 star program is driving plans and enrollment to higher quality



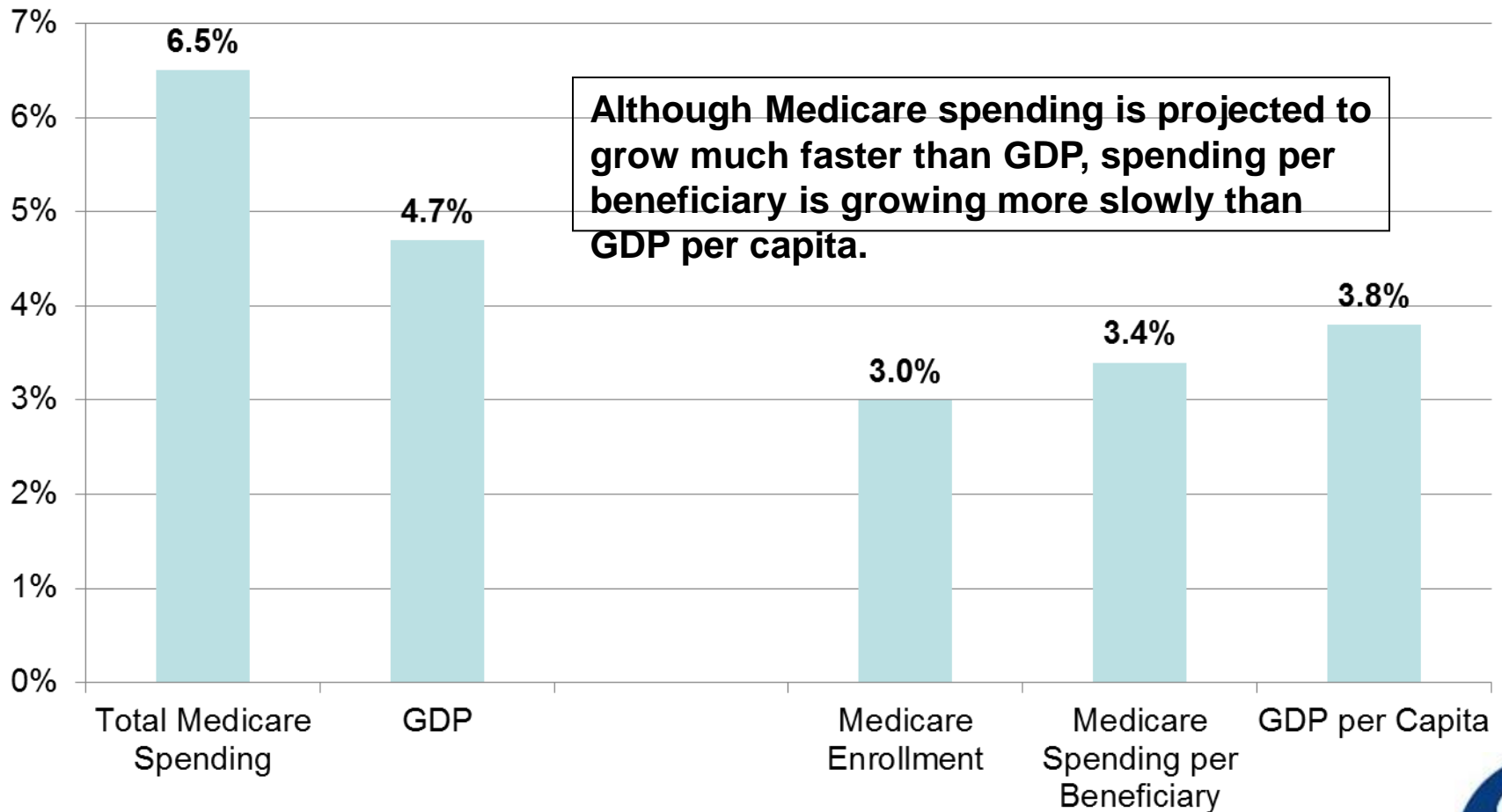
Medicare Spending Now on Much Lower Trajectory than Expected Five Years Ago



Source: Karen Davis and Jeromie Ballreich, Roger C. Lipitz Center, Johns Hopkins Bloomberg School of Public Health, based on annual Congressional Budget Office reports



Projected Annual Growth Rates for Total Medicare Spending, GDP, Medicare Enrollment, Spending per Beneficiary, and GDP per Capita, 2013-2023



Source: Centers for Medicare & Medicaid Services, Office of the Actuary. National Health Expenditure Projections, 2013-2023.



Medicare Challenges for the Future

- **Fragmented coverage: Part A, Part B, Part D, Medi-gap, Medicaid; confusing to beneficiaries; high administrative cost**
- **Financial burdens on low-and modest income beneficiaries for premiums, cost-sharing, uncovered services**
- **Absence of coverage for home and community based services to help beneficiaries with complex care needs remain in the home, prevent nursing home placement**
- **Provider payment is still largely fee-for-service**
- **Retirement of boomer generation and growth in numbers of enrollees; increased share of federal budget**



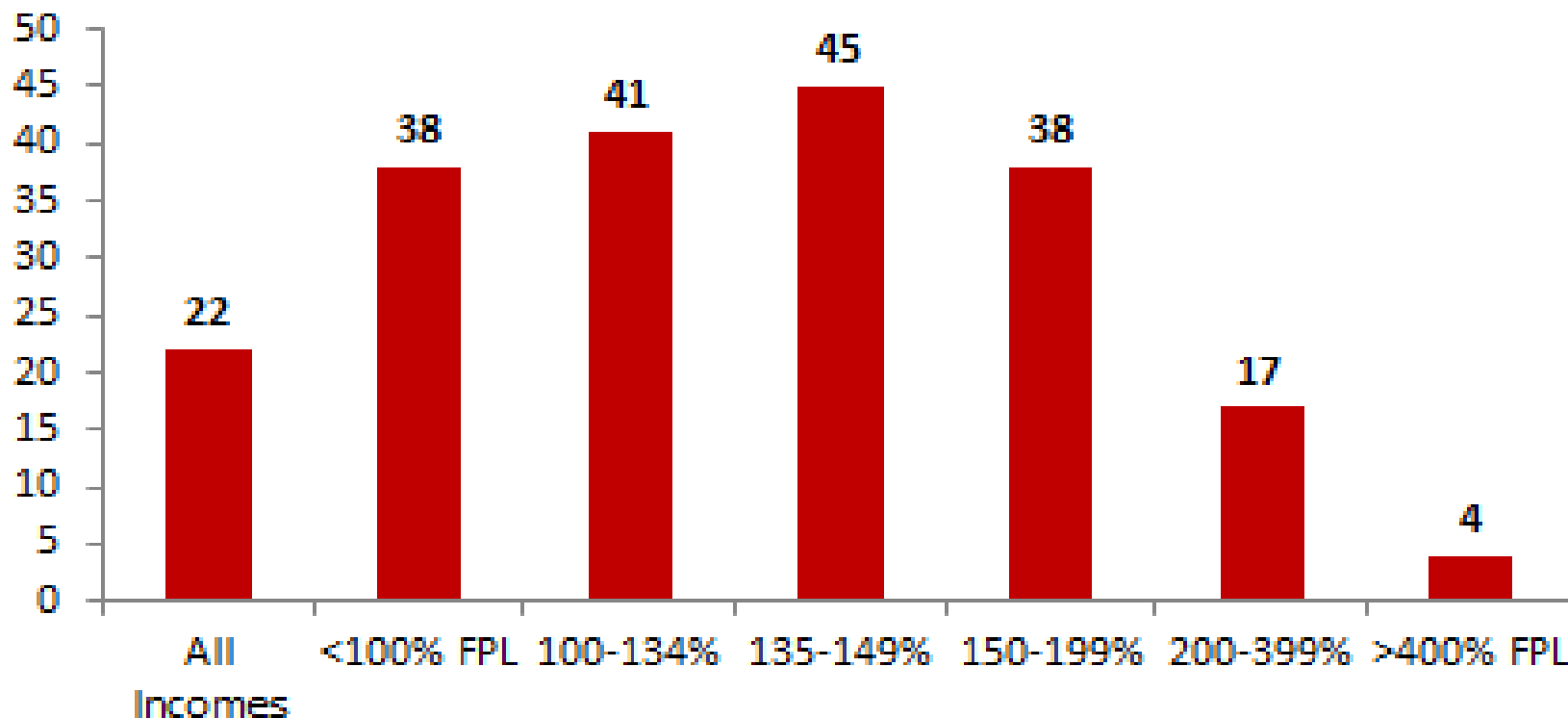
Benefit Redesign in Traditional Medicare

- **Integration of Traditional Medicare, MediGap, Private Drug Plans, and Medicaid**
 - **Medicare Essential: comprehensive benefits, administrative simplicity and savings**
 - **Sliding scale premium and cost-sharing assistance up to 200% of poverty directly through Medicare**
 - **Beneficiary incentives to obtain care from high-value providers accepting innovative payment methods, value-based benefit design**



High-Cost Burden: Medicare Beneficiaries Spent 20% or More of Income on Premiums Plus Medical Costs

Percent of beneficiaries



Source: Analysis of 2010MCBS updated to 2014.



Improving Medicare for Beneficiaries with Complex Care Needs

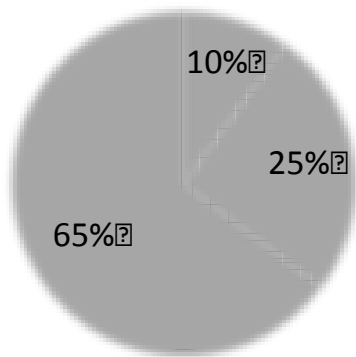
- **New part of Medicare for Beneficiaries with Complex Care Needs (physical or cognitive functional impairment, high cost)**
 - **Complex Care Organizations (CCOs) accountable for health and long-term care costs, coordinating care, reducing institutionalization, and improving quality of life**
 - **Individualized care plans, care coordination, caregiver support, strong primary care including in the home**
 - **Affordable cost-sharing related to income**
 - **Home and community based social services for beneficiaries at risk of institutionalization**
 - **Accelerate testing and spread of CCOs**



Distribution across income categories among complex care needs beneficiaries compared to among non-complex care need beneficiaries

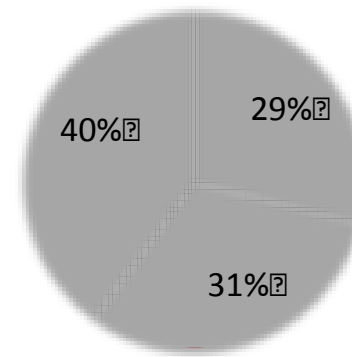
Not complex care needs (n=9,094)

Dual <200% FPL >200% FPL



Complex care needs (n=2,157)

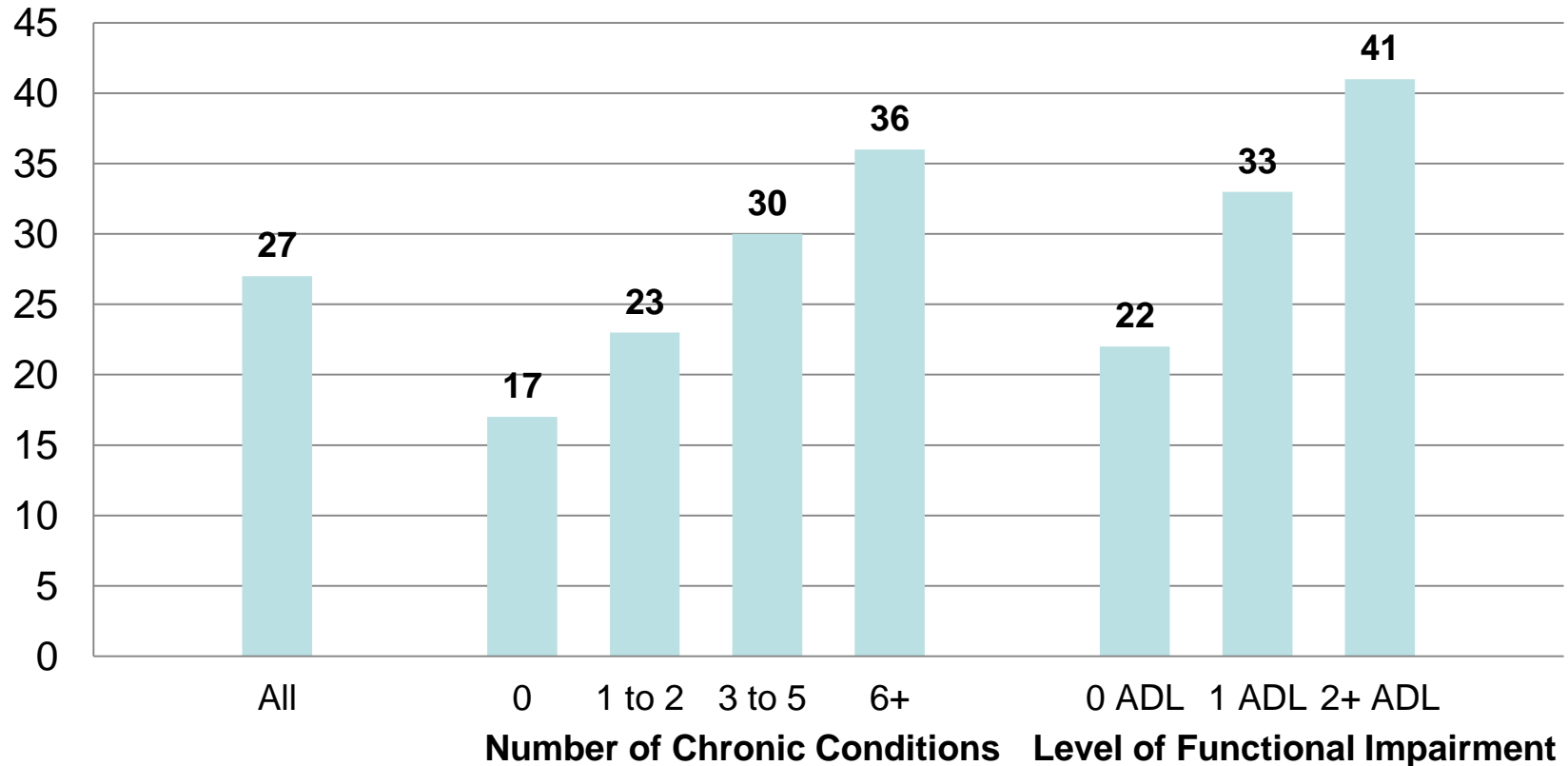
Dual <200% FPL >200% FPL



Source: Analysis of the 2010 Health and Retirement Study data; Roger C. Lipitz Center, Johns Hopkins School of Public Health



Proportion of Medicare Beneficiaries with Out-of-Pocket Spending for Health Care at Least 20% of Their Income, 2010



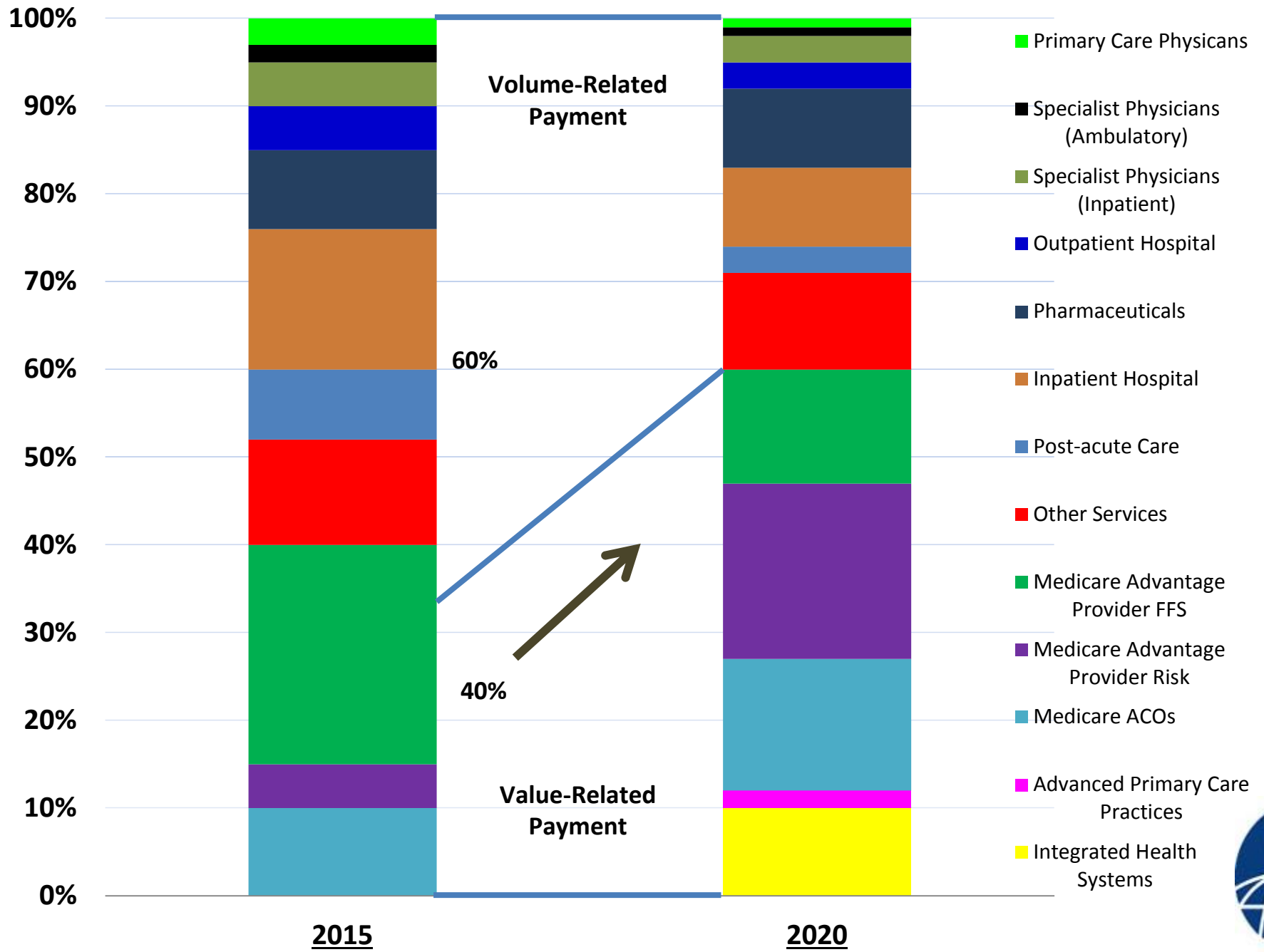
Source: Authors' analysis of the Medicare Current Beneficiary Survey, 2010.



Comprehensive Medicare Provider Payment Reform

- **New MACRA legislation will propel movement to value-based payment**
- **Secretary has authority to spread successful CMMI payment methods to all interested and qualified providers**
- **Learning networks to speed diffusion of best practices**
- **Price and quality transparency to enact beneficiaries to obtain care from high-value providers**
- **Align beneficiary financial incentives to accelerate move to value-based payment and high performance providers**
- **Engagement of private health insurers and Medicaid in adoption of value-enhancing payment methods**





Medicare Future Reform Agenda

- **Integration of Traditional Medicare into comprehensive benefit plan with reduced cost-sharing and sliding scale premium assistance up to 200% of poverty**
- **Testing new Medicare program for beneficiaries with complex care needs – support independent living, individualized care plans and care coordination, support caregivers and prevent nursing home placement**
- **Reach Medicare value-based payment goals; engage private payers and state Medicaid**
- **Ensure adequate financing for next two decades**



Thank You!



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For more information, please see:

D. Blumenthal, K. Davis and S. Guterman, “Medicare at 50: Moving Forward,” *New England Journal of Medicine*, January 28, 2015.

D. Blumenthal, K. Davis and S. Guterman, “Medicare at 50: Origins and Evolution,” *New England Journal of Medicine*, January 14, 2015.

Davis K, Schoen C, Guterman S. Medicare essential: an option to promote better care and curb spending growth. *Health Aff (Millwood)*. May 2013; 32(5):900-9.

R. Baron and K. Davis. “Accelerating the Adoption of Primary Care: A New Provider Type under Medicare”” *New England Journal of Medicine*, December 18, 2013.

