What’s in Store for Medicare?

May 24, 2017
The 24th Princeton Conference
Possible Medicare Changes: Impact on Beneficiaries, Payers, and the Federal Budget

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The AHCA retains:

- Medicare savings (e.g., reductions in payments to hospitals, other health care providers, Medicare Advantage plans)
- Medicare benefit improvements
  - Closes Part D “donut hole”
  - Improved preventive benefits
- Center for Medicare & Medicaid Innovation
  - Payment and delivery system reforms
- Independent Payment Advisory Board

The AHCA repeals:

- Medicare HI payroll tax surcharge on high earners (effective after 12/31/2022)
- Annual fee paid by Rx drug manufacturers
- Reinstates employer tax deduction for RDS

The AHCA also proposes major changes to Medicaid – with uncertain implications for 1 in 5 Medicare beneficiaries

- The House-passed bill would reduce Medicaid spending by $839 billion over 10 years and convert Medicaid to a per capita cap model
  - 24% ↓ in federal funds

- The focus has largely been on the potential impact on children and families and their expected loss of coverage
  - 14 million ↓ Medicaid enrollees
  - 24 million ↑ in uninsured → 52 million uninsured

- Medicaid savings and per capita caps could also impact low-income people on Medicare
  - One in five (11 million) seniors and younger adults with disabilities on Medicare get additional benefits and services that are covered by Medicaid
President Trump has said he wants to reduce Medicare and Medicaid drug prices

**FEB 17, 2016**

“If we negotiated the price of drugs...we’d save $300 billion a year.”

- MSNBC Interview

**JAN 11, 2017**

“We have to get prices down for a lot of reasons. We have no choice. For Medicare, for Medicaid, we have to get the prices way down.”

- Meeting with Pharmaceutical Industry Leaders

**JAN 31, 2017**

“MAY 11, 2017

“Medicare Part D was ‘a tremendous giveaway to pharmaceutical companies’ because it didn’t require drug companies to give rebates to the government the way Medicaid does.”

- OMB Director Mick Mulvaney speaking at LIGHT Forum (as reported in Axios)

**FEB 7, 2017**

"He's for it, yes" @PressSec to @MaraLiasson on Trump wanting to use Medicare program negotiate drug prices w/ US drug firms

11:15 AM - 7 Feb 2017 from Washington, DC
Prescription drug spending (Part D) is projected to grow faster than other parts of Medicare over next decade

Average annual growth in Medicare per beneficiary costs, 2015-2025:

<table>
<thead>
<tr>
<th>Part</th>
<th>2015</th>
<th>2025</th>
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</thead>
<tbody>
<tr>
<td>Part A</td>
<td>$5,019</td>
<td>$6,901</td>
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<tr>
<td>Part B</td>
<td>$5,522</td>
<td>$8,642</td>
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<tr>
<td>Part D</td>
<td>$2,203</td>
<td>$3,861</td>
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Exhibit 5

If IPAB is not repealed, the process for generating savings could begin this year (for 2019)

NOTE: IPAB is prohibited from proposing changes that would 'ration care," increase revenues, increase beneficiary premiums or cost-sharing, or restrict benefits. Through 2019, IPAB would be prohibited from recommending changes that affect providers subject to ACA productivity adjustments. Reductions permitted for Medicare Advantage, Part D, SNF, home health, and suppliers.
Exhibit 6
Medicare Advantage enrollment has increased steadily, even after ACA payment reductions

Medicare Advantage penetration:

<table>
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<th>Year</th>
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<th>MMA</th>
<th>ACA</th>
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<td>2017</td>
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<td>33%</td>
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NOTE: Includes MSAs, cost plans, demonstration plans, and Special Needs Plans as well as other Medicare Advantage plans. Excludes beneficiaries with unknown county addresses and beneficiaries in territories other than Puerto Rico.
Medicare Advantage penetration has outpaced earlier projections

Medicare Advantage, as a share of all Medicare beneficiaries:

We are here (2017)

CBO, 2010
CBO, 2011
CBO, 2013
CBO, 2015
CBO, 2017

NOTE: Enrollment includes Medicare Advantage, cost contracts, and demonstration contracts covering Medicare Parts A and B.
Exhibit 8

Medicare Advantage penetration now exceeds 40% in six states (CA, FL, HI, MN, OR, PA)

NOTE: Includes MSAs, cost plans and demonstrations. Includes Special Needs Plans as well as other Medicare Advantage plans. Excludes beneficiaries with unknown county addresses and beneficiaries in territories other than Puerto Rico.

SOURCE: Authors’ analysis of CMS State/County Market Penetration Files, 2017.
Why are Medicare beneficiaries “sticky”? In their own words...

“Because I feel that I did my homework to the hilt initially, that should remain good for me. If it is up and pricey, that’s ok.”

“There are days when I…think about possibly making a change...I’ve reached the age of 78 and I’m saying to myself, ‘I’m too goddamned tired to investigate this.’”

“I think the older you get, the more resistant you are to change in general...I wouldn’t want to keep going from one plan to another.”

“At our age, as we get older, we learned that the grass is not really greener on the other side...”

Major changes to Medicare, which received serious consideration a few years ago, appear to be on the back burner (for now)

- Raise the age of Medicare eligibility
- Change cost-sharing requirements
- Restrict/discourage supplemental coverage
- More means-testing
- Convert Medicare into a premium support system
- Federalize low-income protections
- Improve benefits (e.g., out-of-pocket spending for Parts A and B services; hard cap on Part D out-of-pocket spending)
- Raise revenues

Medicare Resources on KFF.org

- What Are the Implications for Medicare of the American Health Care Act?
- What Could a Medicaid Per Capita Cap Mean for Low-Income People on Medicare?
- Medicare Premium Support Proposals Could Increase Costs for Today’s Seniors, Despite Assurances
- Comparison of Medicare Provisions in Recent Bills and Proposals to Repeal and Replace the Affordable Care Act
- The Independent Payment Advisory Board: A New Approach to Controlling Medicare Spending

For more information, visit kff.org/medicare