

Medicare: Changes, Challenges, and Opportunities for Grantmakers

November 6, 2013

Grantmakers in Health

Tricia Neuman, Sc.D.

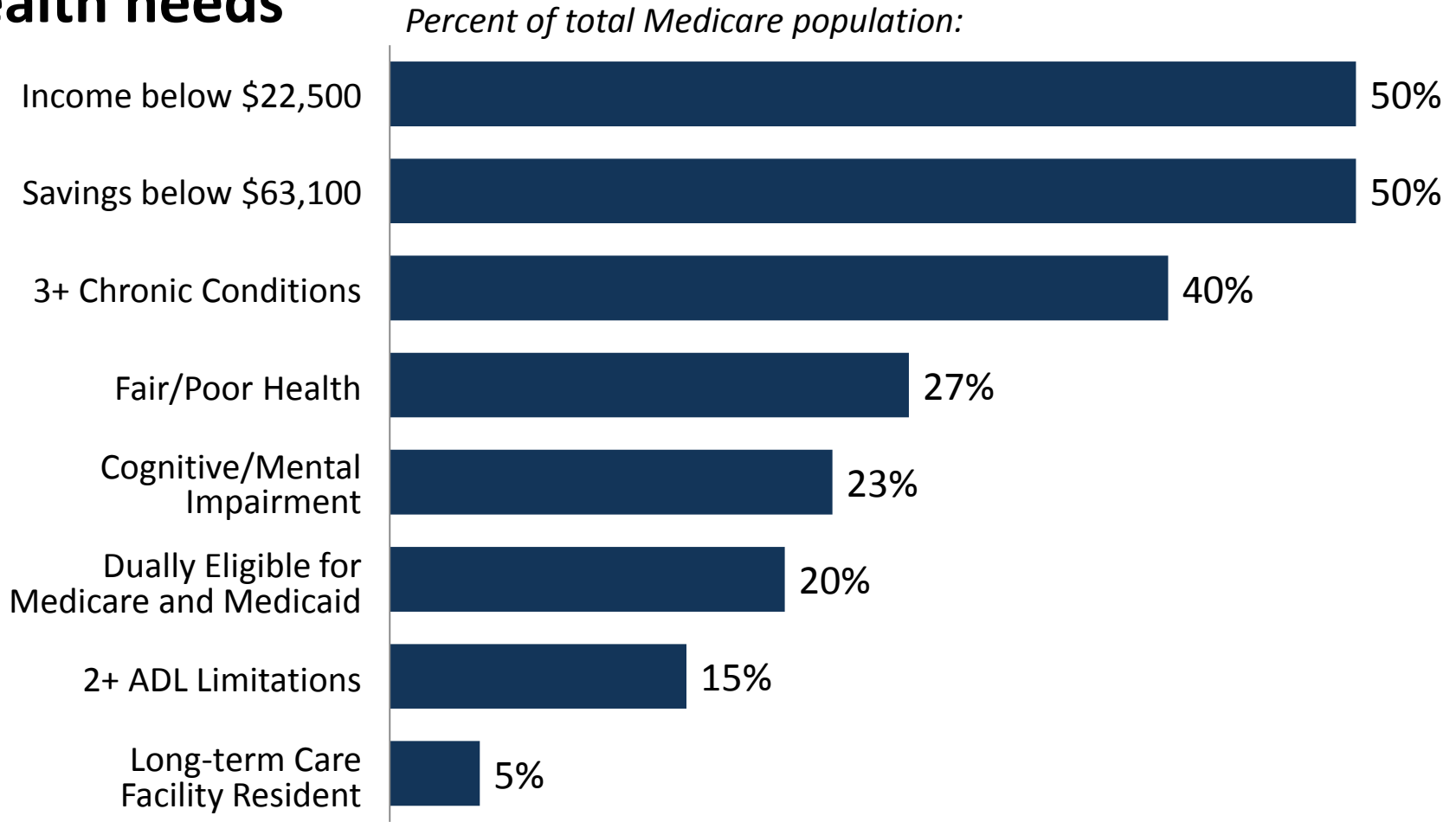
Director, Program on Medicare Policy

Kaiser Family Foundation

Opportunities for Grantmakers: “Find a need and fill it”

- Support local organizations that identify and address the needs of seniors, and do something about it
 - For example, seniors living in poverty; seniors living in long-term care settings
- Support organizations that help Medicare beneficiaries navigate health care decisions and health insurance choices – not just when people turn 65, but annually
 - Especially important given interest in consumer-driven decision-making
- Monitor the implementation of various delivery system reforms in local markets, and work with local health care providers to identify opportunities for improvements
 - And support efforts to provide meaningful feedback to the Federal government
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While some on Medicare enjoy good health and economic security, many have modest resources and significant health needs

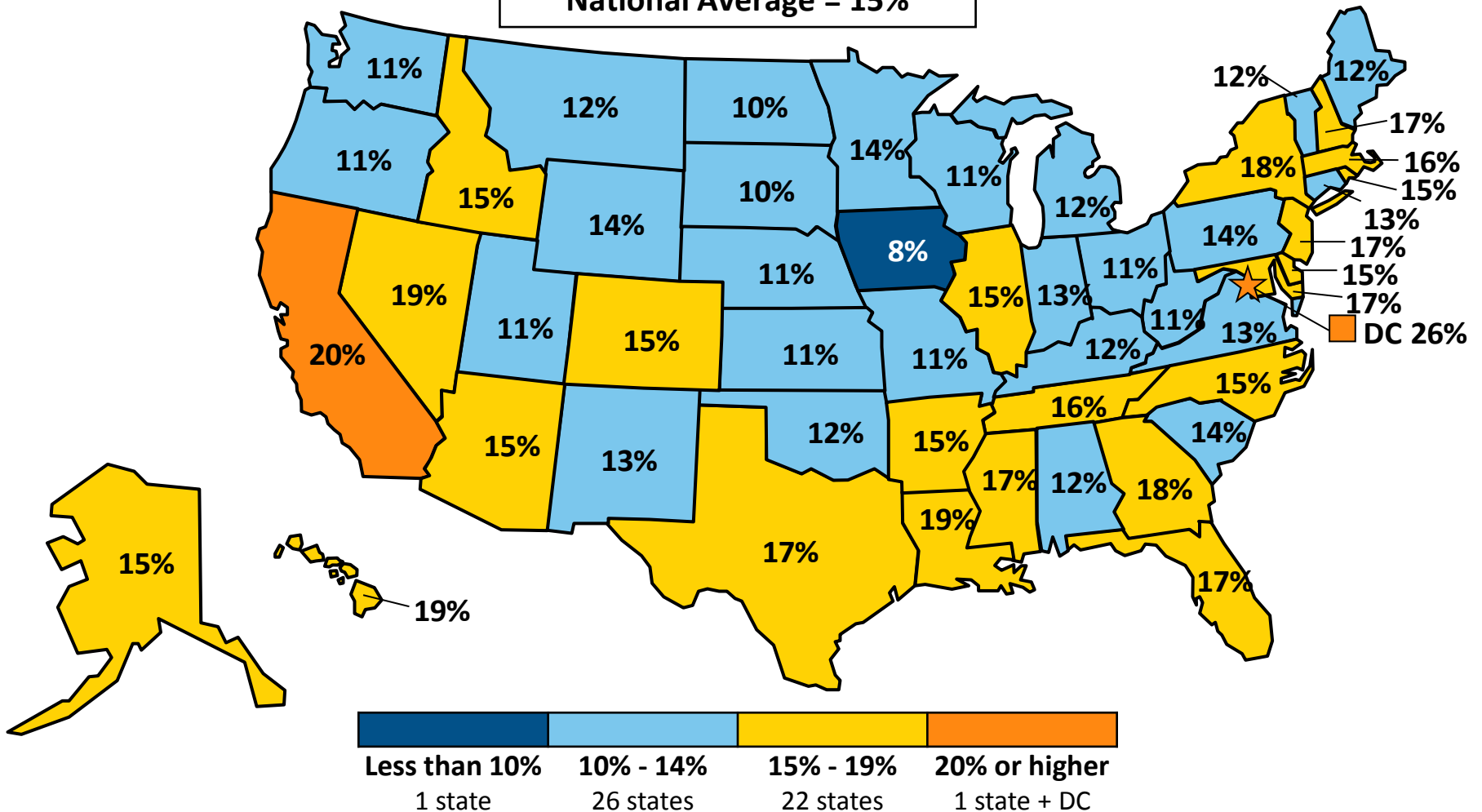


NOTE: ADL is activity of daily living.

SOURCE: Urban Institute and Kaiser Family Foundation analysis, 2012; Kaiser Family Foundation analysis of the Centers for Medicare & Medicaid Services Medicare Current Beneficiary 2009 Cost and Use file.

Nationwide, 15% of seniors are living in poverty; more than one in six seniors are living in poverty in 12 states and DC

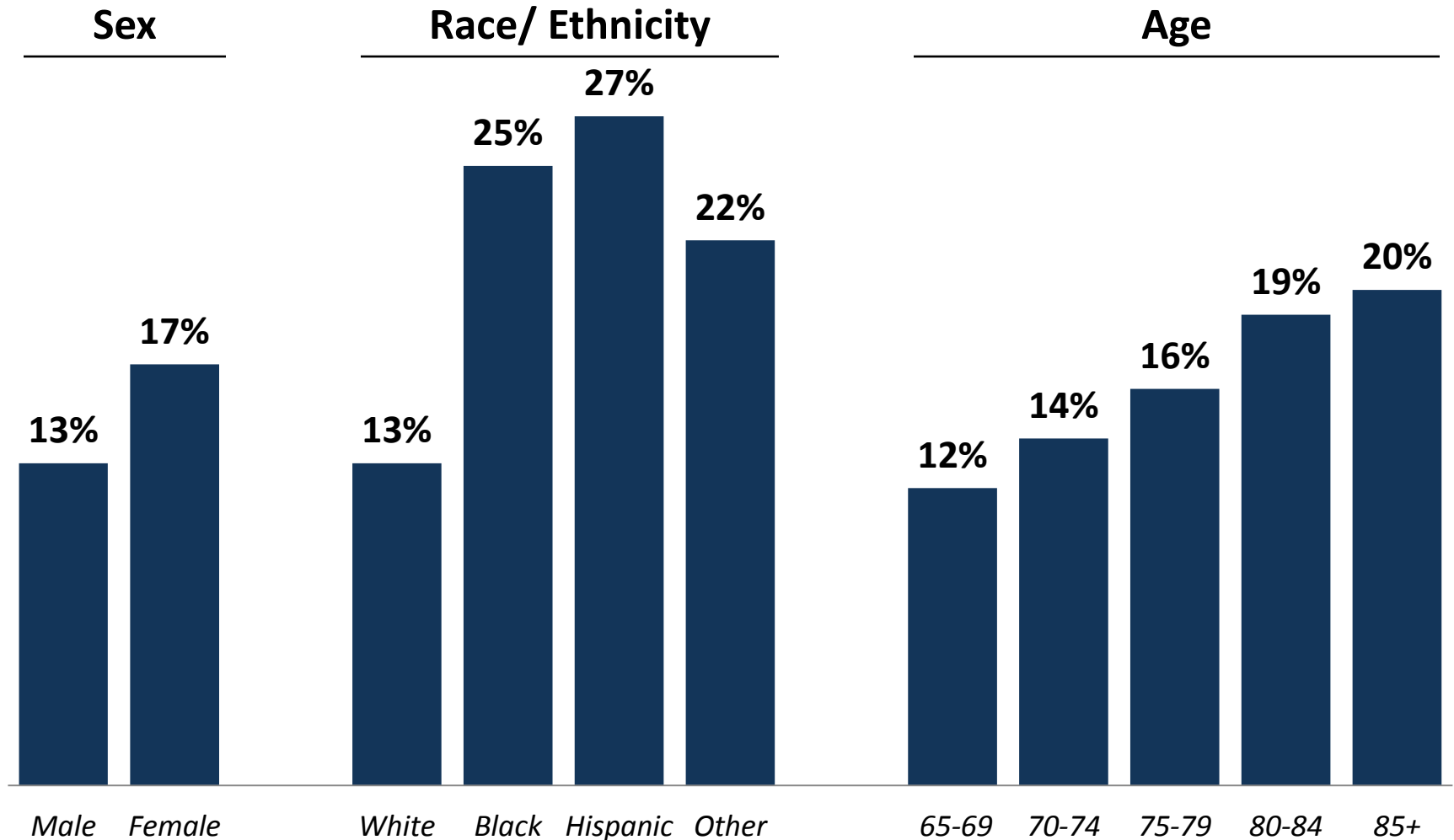
National Average = 15%



NOTE: Exhibit shows the share of seniors living in poverty using the Supplemental Poverty Measure. Data were pooled over three years.
 SOURCE: Kaiser Family Foundation, "A State-by-State Snapshot of Poverty Among Seniors: Findings From Analysis of the Supplemental Poverty Measure," May 2013.

Exhibit 4

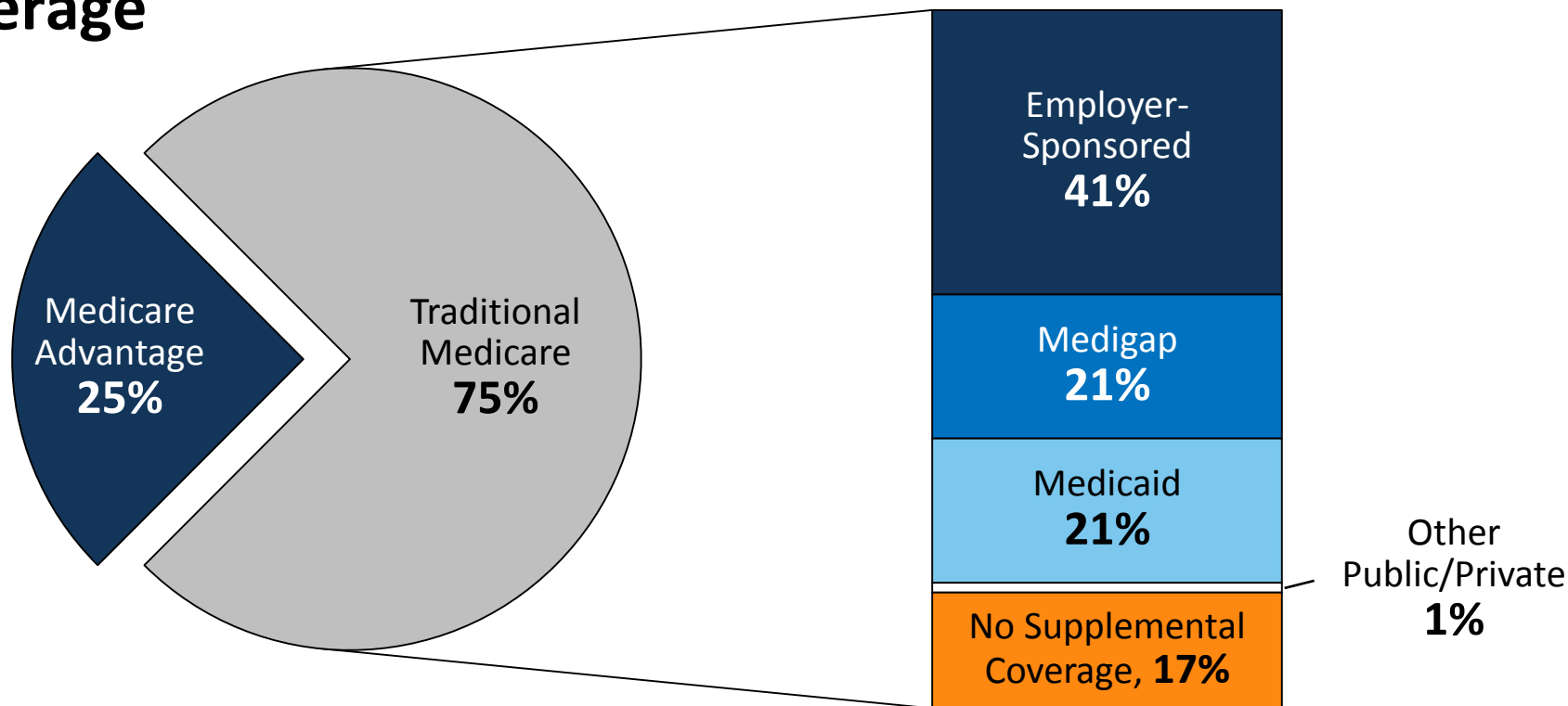
Poverty rates among seniors are higher for women, blacks and Hispanics, and adults 80+



NOTE: Data were pooled over 3 years.

SOURCE: Current Population Survey, 2009, 2010, and 2011 Annual Social and Economic Supplement.

Due to high cost-sharing and benefit gaps, most beneficiaries in traditional Medicare have supplemental coverage



Total Number of Beneficiaries, 2009:
47.2 Million

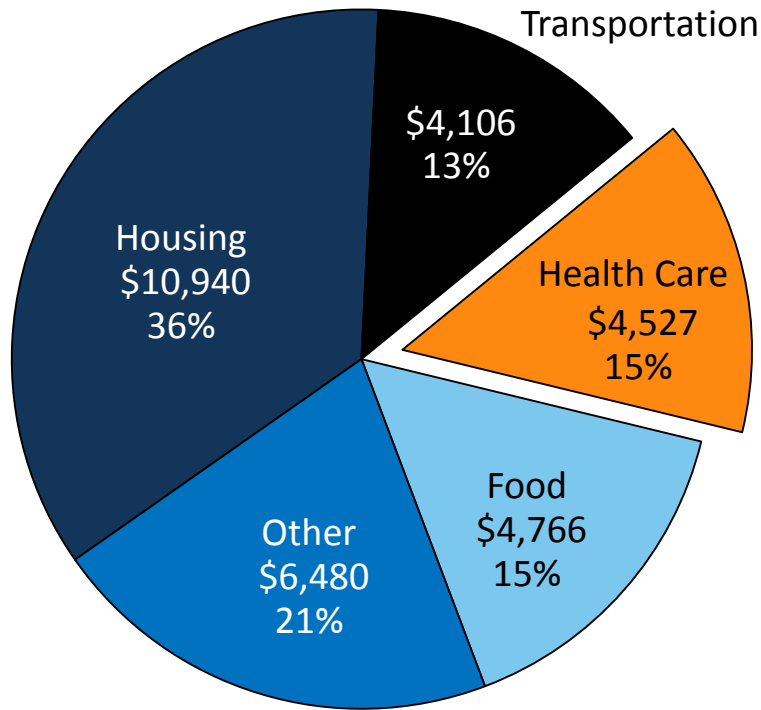
Beneficiaries with Traditional Medicare, 2009:
35.4 Million

NOTE: Numbers do not sum due to rounding. Some Medicare beneficiaries have more than one source of coverage during the year; for example, 2% of all Medicare beneficiaries had both Medicare Advantage and Medigap in 2009. Supplemental Coverage was assigned in the following order: 1) Medicare Advantage, 2) Medicaid, 3) Employer, 4) Medigap, 5) Other public/private coverage, 6) No supplemental 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 Centers for Medicare & Medicaid Services Medicare Current Beneficiary 2009 Cost and Use file.

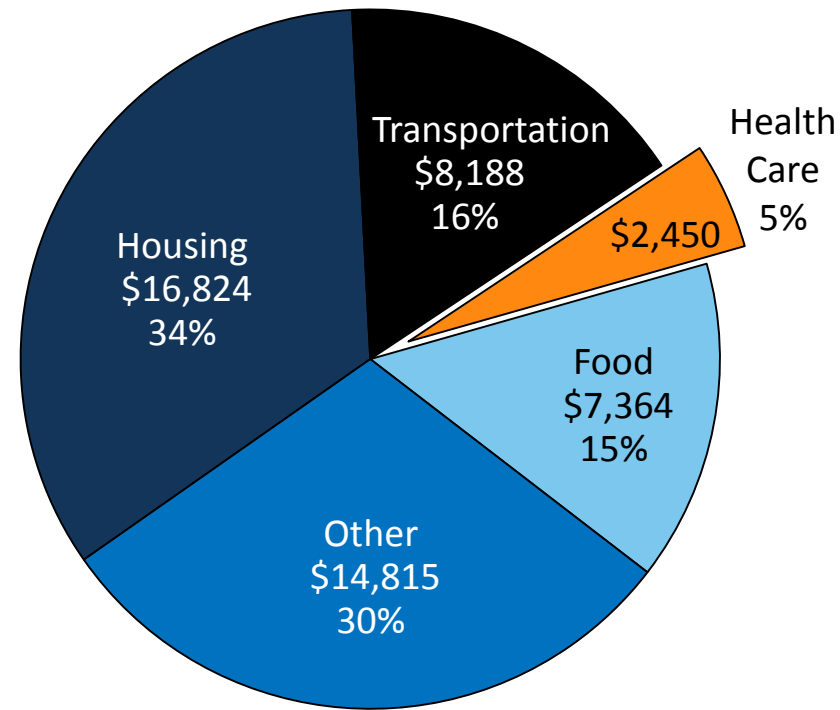
Even with Medicare and supplemental coverage, Medicare households spend far more than others on health expenses

Medicare Household Spending, 2010



Average Household Spending =
\$30,818

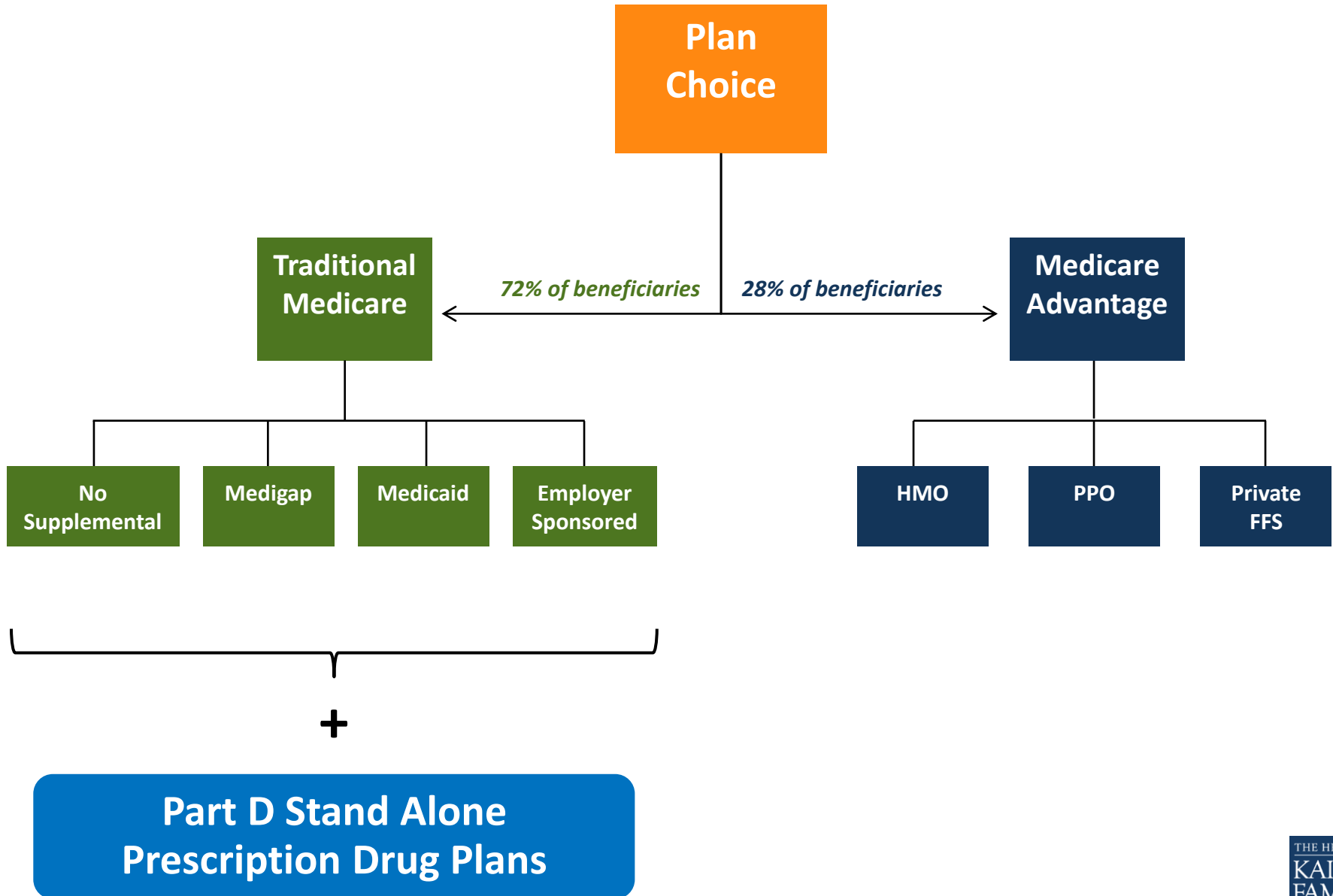
Non-Medicare Household Spending, 2010



Average Household Spending =
\$49,641

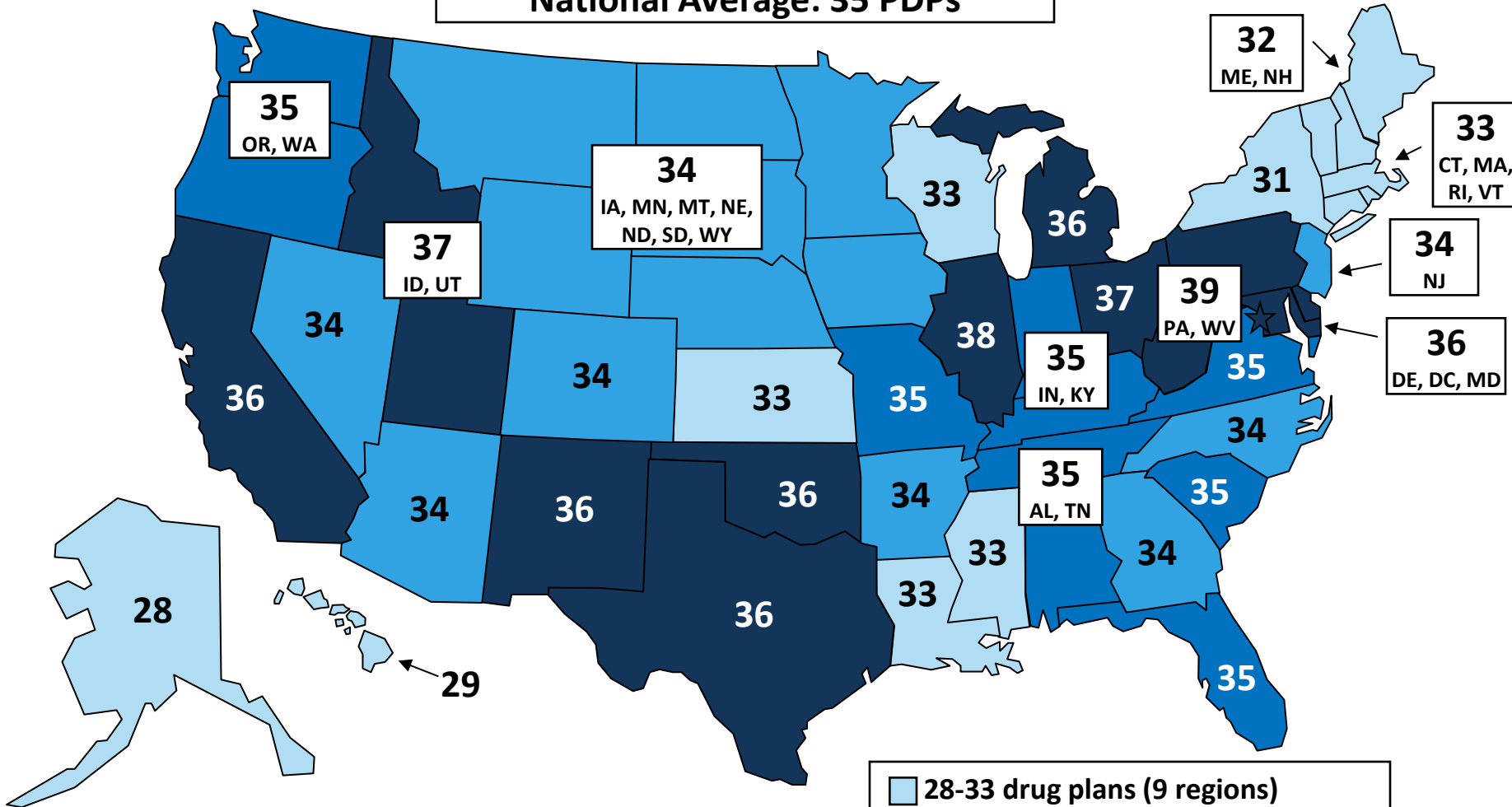
SOURCE: Kaiser Family Foundation analysis of the Bureau of Labor Statistics Consumer Expenditure Survey Interview and Expense Files, 2010.

Many Plan Choices for Medicare Beneficiaries



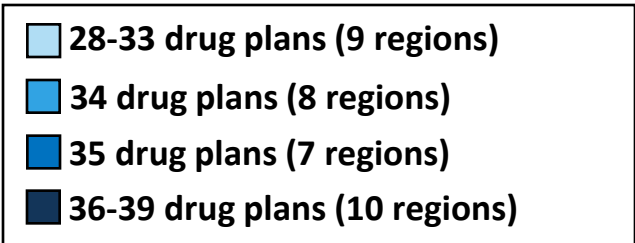
On average, beneficiaries have the option to choose from among 35 Part D Stand-Alone Prescription Drug Plans

National Average: 35 PDPs



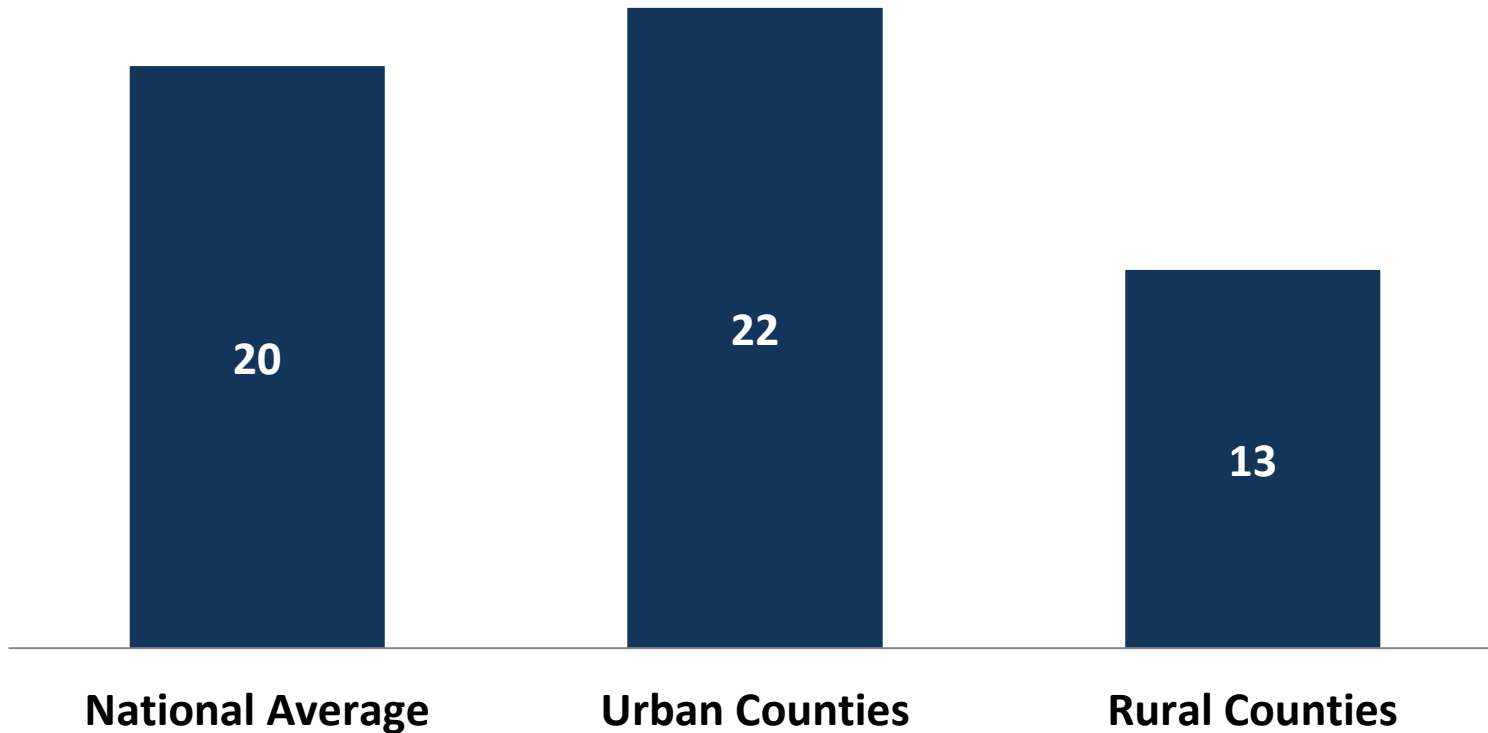
NOTE: PDP is prescription drug plan. Excludes plans in the territories. Includes 168 plans under CMS sanction and closed to new enrollees as of October 2013.

SOURCE: Kaiser Family Foundation, Medicare Part D: A First Look at Plan Offerings in 2014 (Oct. 2013).



On average, Medicare beneficiaries can choose from among 20 Medicare Advantage plans, 2013

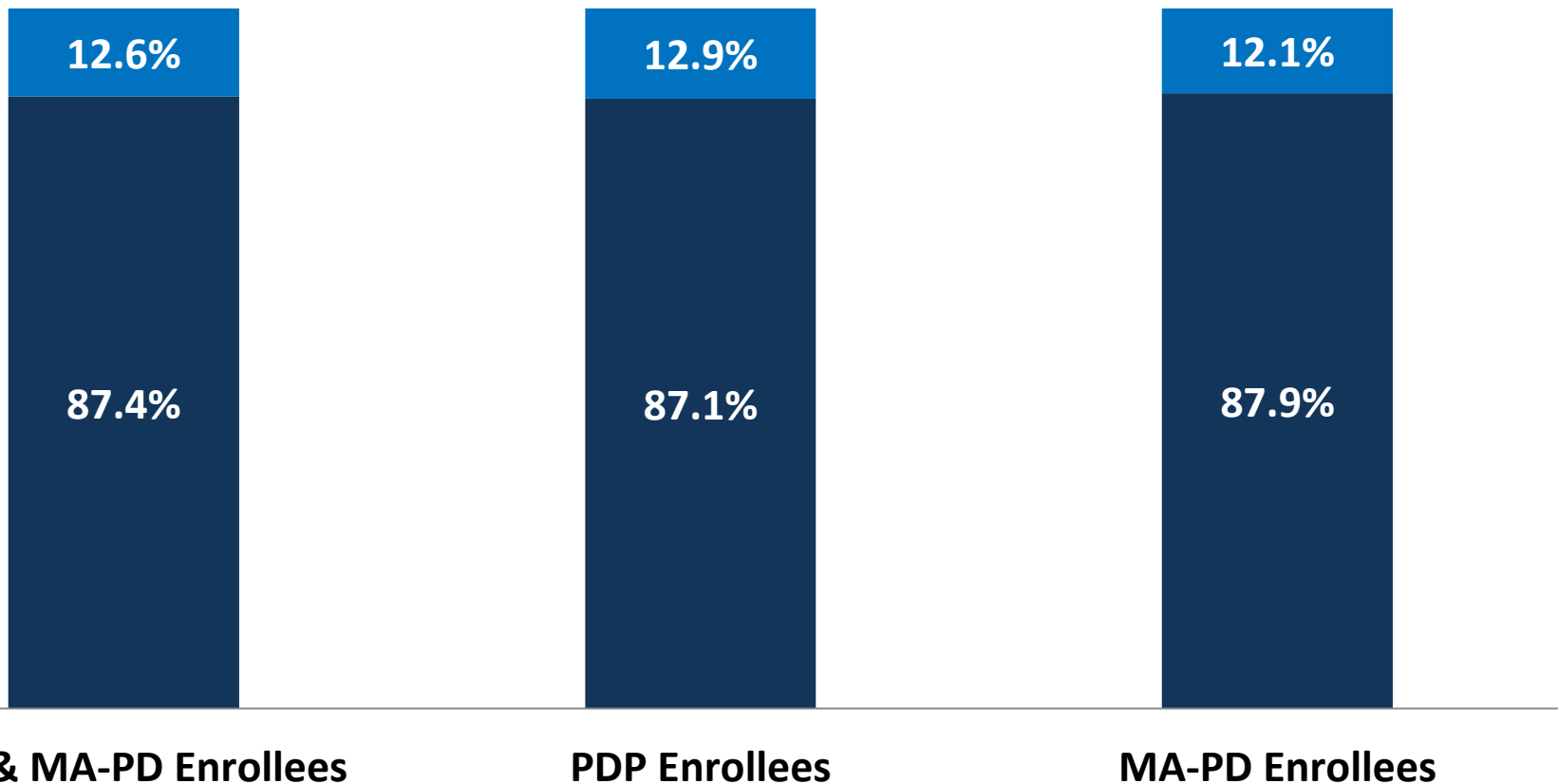
Average Number of Plans Available by County of Residence, 2013



NOTE: Excludes SNPs, employer-sponsored (i.e., group) plans, demonstrations, HCPPs, PACE plans, and plans for special populations (e.g., Mennonites).
SOURCE: Kaiser Family Foundation, Medicare Advantage 2013 Spotlight: Plan Availability and Premiums (Dec. 2012).

Most Medicare Part D Enrollees Did Not Switch Plans Voluntarily During an Open Enrollment Period, 2006-2010

■ Switched plans ■ Did not switch plans



NOTES: Analyses excludes Part D low-income subsidy recipients. PDP is prescription drug plan. MA-PD is Medicare Advantage Prescription Drug Plan. Analysis includes non-LIS Medicare Part D enrollees in a PDP or MA-PD in one or more annual enrollment period from 2006 to 2010; estimates are averaged across four annual enrollment periods, 2006-2010.

SOURCE: Kaiser Family Foundation, To Switch or Not to Switch: Are Medicare Beneficiaries Switching Drug Plans To Save Money? (Oct. 2013).

The 2010 Affordable Care Act included several changes to Medicare

➤ **\$428 billion net reductions in Medicare spending, 2010-2019**

- Now \$716 billion (2013-2022) due to revised baseline; additional years in budget window
- Medicare now growing more slowly than private insurance on per capita basis

➤ **Improvements in benefits**

- Gradually closes Medicare prescription drug coverage gap (“donut hole”)
- Eliminates cost sharing for prevention services
- Boosts payments for primary care

➤ **Medicare savings**

- Reduces payments to Medicare Advantage plans
- Reduces payments for hospitals and other medical providers (not physicians)
- Creates new Independent Payment Advisory Board (IPAB)

➤ **New revenues**

- Income-related premiums
- Increase in payroll tax for high earners

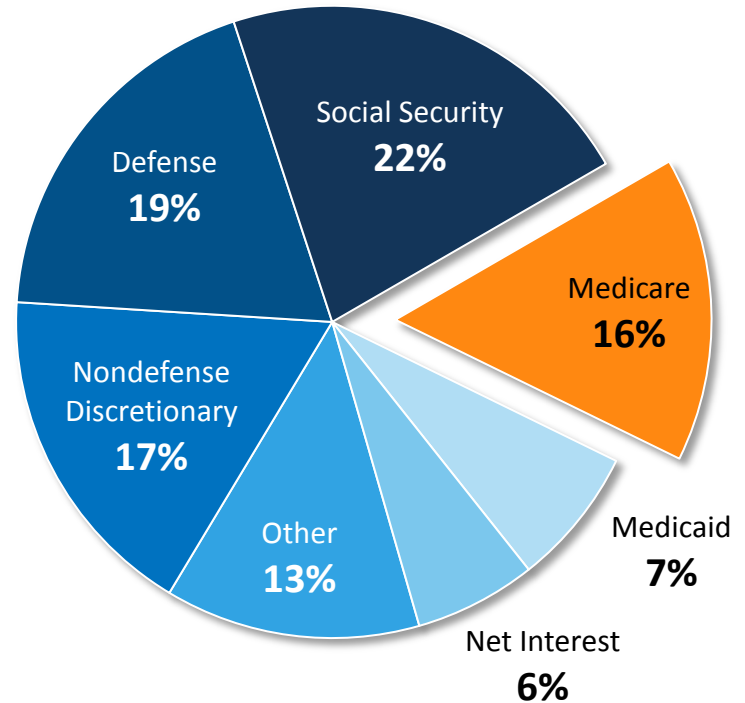
➤ **Delivery system reforms**

- New Center for Medicare and Medicaid Innovations
- New Coordinated Health Care Office within CMS for dual eligibles
- Numerous programs, pilots, demos to improve quality and efficiency

What's Next? Additional Medicare Savings Under Discussion

- Medicare is now 16% of the federal budget, growing to 18% by 2020
- Medicare was 3.6% of the economy in 2010, growing to 4.2% by 2020, 5.7% by 2030, and 7.1% by 2040
- Medicare enrollment is growing from 50 million today to 88 million in 2040
- Over the long term, total Medicare spending is projected to grow faster than the economy, due to retirement of baby boomers and rising health care costs (affecting all payers)

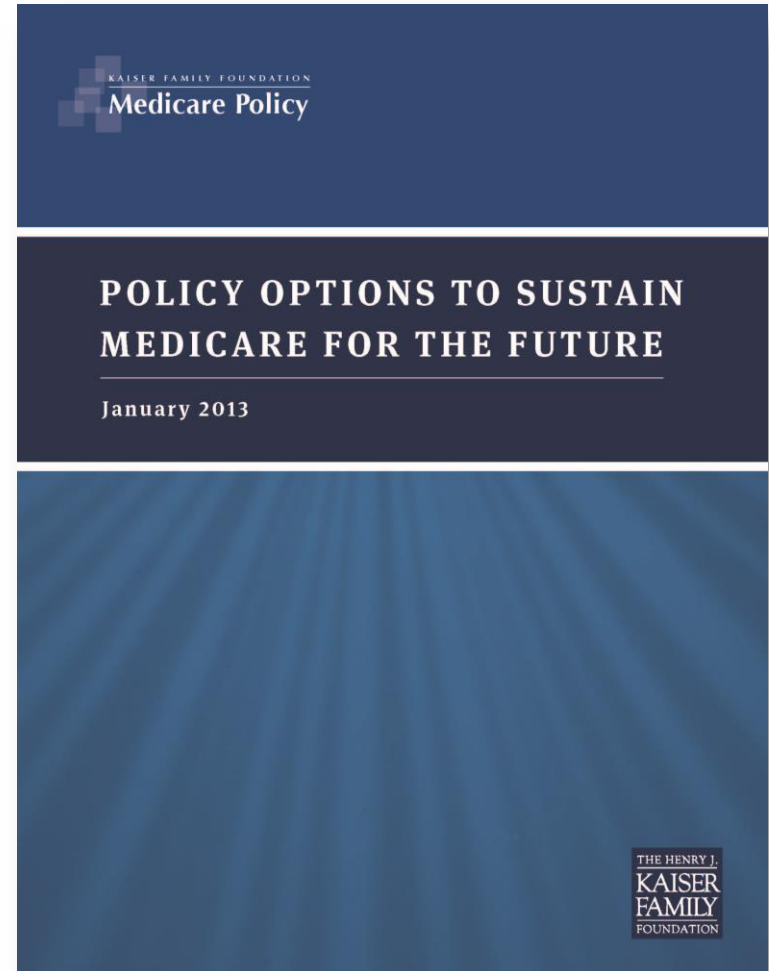
Medicare Spending as a Share of Federal Budget Outlays



Total Federal Spending, FY2012 =
\$3.5 Trillion

Several Medicare Proposals Under Consideration

- Income relate premiums
- Raise copays for home health
- Raise premiums for seniors with supplemental coverage
- Raise the age of Medicare eligibility
- Restructure Medicare's benefit design
- Prohibit or discourage "first dollar" Medigap coverage
- Premium support/ defined federal contribution
- Provider payment reforms, including physician payment reform (SGR)



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