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

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• Provide information to opinion leaders and policymakers to help inform ongoing debate about Medicare/deficit reduction, particularly with respect to potential effects of various proposals on most vulnerable
While some on Medicare enjoy good health and economic security, many have modest resources and significant health needs.

<table>
<thead>
<tr>
<th>Condition</th>
<th>Percent of Total Medicare Population</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income below $22,500</td>
<td>50%</td>
</tr>
<tr>
<td>Savings below $63,100</td>
<td>50%</td>
</tr>
<tr>
<td>3+ Chronic Conditions</td>
<td>40%</td>
</tr>
<tr>
<td>Fair/Poor Health</td>
<td>27%</td>
</tr>
<tr>
<td>Cognitive/Mental Impairment</td>
<td>23%</td>
</tr>
<tr>
<td>Dually Eligible for Medicare and Medicaid</td>
<td>20%</td>
</tr>
<tr>
<td>2+ ADL Limitations</td>
<td>15%</td>
</tr>
<tr>
<td>Long-term Care Facility Resident</td>
<td>5%</td>
</tr>
</tbody>
</table>

NOTE: ADL is activity of daily living.
Nationwide, 15% of seniors are living in poverty; more than one in six seniors are living in poverty in 12 states and DC.
Exhibit 4

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

<table>
<thead>
<tr>
<th>Sex</th>
<th>Race/ Ethnicity</th>
<th>Age</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>13%</td>
<td>12%</td>
</tr>
<tr>
<td>Female</td>
<td>17%</td>
<td>14%</td>
</tr>
<tr>
<td>White</td>
<td>13%</td>
<td>14%</td>
</tr>
<tr>
<td>Black</td>
<td>25%</td>
<td>16%</td>
</tr>
<tr>
<td>Hispanic</td>
<td>27%</td>
<td>16%</td>
</tr>
<tr>
<td>Other</td>
<td>22%</td>
<td>19%</td>
</tr>
<tr>
<td>65-69</td>
<td>19%</td>
<td>80-84</td>
</tr>
<tr>
<td>70-74</td>
<td>20%</td>
<td>85+</td>
</tr>
<tr>
<td>75-79</td>
<td>16%</td>
<td></td>
</tr>
<tr>
<td>80-84</td>
<td></td>
<td></td>
</tr>
<tr>
<td>85+</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

NOTE: Data were pooled over 3 years.
Due to high cost-sharing and benefit gaps, most beneficiaries in traditional Medicare have supplemental coverage.

- Medicare Advantage: 25%
- Traditional Medicare: 75%
- Employer-Sponsored: 41%
- Medigap: 21%
- Medicaid: 21%
- Other Public/Private: 1%
- No Supplemental Coverage: 17%

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.

Even with Medicare and supplemental coverage, Medicare households spend far more than others on health expenses.
Many Plan Choices for Medicare Beneficiaries

Plan Choice

Traditional Medicare
- No Supplemental
- Medigap
- Medicaid
- Employer Sponsored

72% of beneficiaries

Medicare Advantage
- HMO
- PPO
- Private FFS

28% of beneficiaries

Part D Stand Alone Prescription Drug Plans
Exhibit 8

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

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.

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

Average Number of Plans Available by County of Residence, 2013

- National Average: 20
- Urban Counties: 22
- Rural Counties: 13

**NOTE:** Excludes SNPs, employer-sponsored (i.e., group) plans, demonstrations, HCPIPs, PACE plans, and plans for special populations (e.g., Mennonites).

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

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.

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)
Exhibit 14

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