Enhancing Medicare’s Access and Affordability

Cathy Schoen, New York University
Wagner School of Public Service

On behalf of co-authors: Christine Buttorff, Martin Andersen and Karen Davis

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Access and Affordability at Risk

- Medicare core benefits fail to provide financial protection without supplemental coverage
- Current low-income subsidy policies fragmented and complex
- Low-Income beneficiaries exposed to high cost burdens
- Analyzed two policy options to enhance access and affordability and reduce complexity
  - Premium and cost-sharing subsidies to 200 percent poverty
  - Expand low-income and offer an integrated benefit option sponsored by Medicare called Medicare Essential

**Preliminary estimates of impact – not for citation**
Current Medicare Benefits’ Policies: High Cost Burdens and Complex Choices

• Gaps in core benefits and cost sharing
  – Hospital and physician deductibles
  – 20% Part B coinsurance; No out of pocket limit
  – Need supplemental plans for protection in traditional Medicare
• Medicare low-income subsidies inadequate
  – Premium only subsidy from 100 to 135% poverty
  – Part D: premium and cost-sharing to 150% poverty
  – Asset tests
• Complex choices and rules
  – Separate applications for Medicare and Part D low-income
  – Low participation rates; Evidence not choosing D/Medigap wisely
  – Excess administrative costs private and public
• High out-of-pocket costs burden for low income
Highly Burdened Medicare Beneficiaries

- One in 4 spend 20% or more of income on premiums plus medical care
- Highest burdens for those with incomes up to 200 percent of poverty

Percent paying 20% or more of income on Premiums plus Medical Costs

- All Incomes: 25%
- <100% FPL: 39%
- 100-134%: 42%
- 135-149%: 50%
- 150-199%: 39%
- 200-399%: 17%
- >400% FPL: 5%

Source: Analysis of 2010 MCBS updated to 2014.
High Premium Spending

Percent of beneficiaries paying 10% or more of income on premiums alone.

- All Incomes: 26%
- <100% FPL: 32%
- 100-134%: 39%
- 135% - 149%: 46%
- 150-199%: 42%
- 200-399%: 22%
- >400% FPL: 2%

Source: Analysis of 2010 MCBS.
High Medical Care Spending: One in Five Underinsured

Percent of beneficiaries paying 10% or more of income on medical care alone.

Source: Analysis of 2010 MCBS projected to 2014.
Policy Options to Enhance Low-Income Protection and Improve Core Benefits

Expand low-income to 200 percent poverty
- Expand Premium and cost sharing subsidy, sliding scale
- Medicare A, B and Part D
- Medicare administers low-income provisions
- No asset test

Expand low-income and Offer new Medicare Essential Option for all beneficiaries
- Offer new Medicare option for integrated medical and drug benefits with out of pocket limit for supplemental premium
- Self-financing premium, including drugs
- Positive incentives for care from high-value providers
- Premium and cost-sharing subsidy to 200 percent poverty (premium share of income up to ACA levels)
Impact of Two Policy Options

Percent paying 20% or more of income on care and premiums

- **Current Policy**
  - **All Beneficiaries**: 25%
  - **Under 200% FPL**: 41%
  - **200% or more**: 13%

- **Low-Income Only**
  - **All Beneficiaries**: 16%
  - **Under 200% FPL**: 21%
  - **200% or more**: 13%

- **Low-income + Med Essential**
  - **All Beneficiaries**: 14%
  - **Under 200% FPL**: 21%
  - **200% or more**: 9%

Source: Analysis of 2010 MCBS.
Policy Could Reduce Number Underinsured

Percent paying 10% or more of income on medical care services

- Current Policy: 22%
- Expand Premium and Cost Sharing Subsidy to 200% poverty: 15%

Source: Authors’ analysis of 2010 MCBS. Projected to 2014 with policy reforms.
# Number of Beneficiaries with Lower Burden

<table>
<thead>
<tr>
<th>Policy Option</th>
<th>Share with Lower Cost Burdens</th>
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<tbody>
<tr>
<td><strong>Number (Millions)</strong></td>
<td><strong>Percent lower costs</strong></td>
<td></td>
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<tr>
<td>Expand Low Income Subsidies to 200%</td>
<td>11.8 M</td>
<td>22%</td>
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<tr>
<td>Expand Low Income Subsidies to 200% and Offer Choice of Medicare Essential</td>
<td>15.2 M</td>
<td>29%</td>
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Source: Analysis of 2010 MCBS projected to 2014. Modeled illustrative options assuming beneficiaries Medicare only, Medigap, and Medicaid participate.
Impact of Enhanced Low Income Provisions and Redesigned Benefits

• Up to 15 million beneficiaries reduced out of pocket costs
• Share with high spending cut in nearly half
  – Underinsured reduced by one third
• Substantial relief for low-income
• Preliminary estimates of net cost redistribution if fully in force 2014 and all participate
  – Net savings for beneficiaries: - $40 billion
  – Potential net federal costs: + $40 billion
• Could be phased with potential offsets
Conclusions and Implications

• Expanding subsidies for Medicare cost sharing and premiums beyond poverty needed to reach those at risk of high-cost burdens
  – Offering an option with improved core benefits for a single premium would enhance choice and reduce complexity for all beneficiaries
  – Policies would smooth transitions as people age into Medicare

• Net federal costs to improve access, equity and reduce cost burdens could be phased or offset over time

• Even with expanded subsidies beneficiaries will remain at risk for non-Medicare services

• Medicare’s 50th Birthday offers window to improve for the future
Methodology and Related Reports

- Medicare Current Beneficiary Survey, 2010 projected to 2014 for people and program expenses

- Assessed current out-of-pocket burdens
  - Premiums and care costs as a share of income
  - Compare across poverty groups that correspond to ACA and current law policies

- Assessed first year impact if full participation, assumes no shift in Medicare Advantage or Employer retirees.

- For Medicare Essential potential over time see: