

MEDICARE: Setting the Context

NASI

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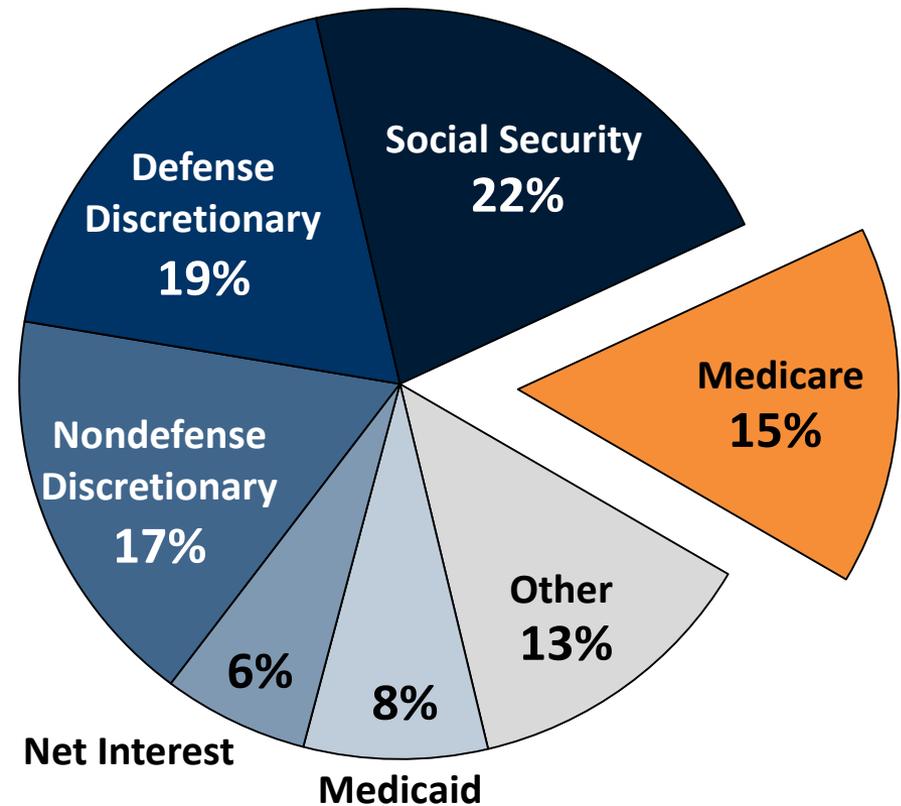
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Why Medicare Savings Proposals Are Under Discussion

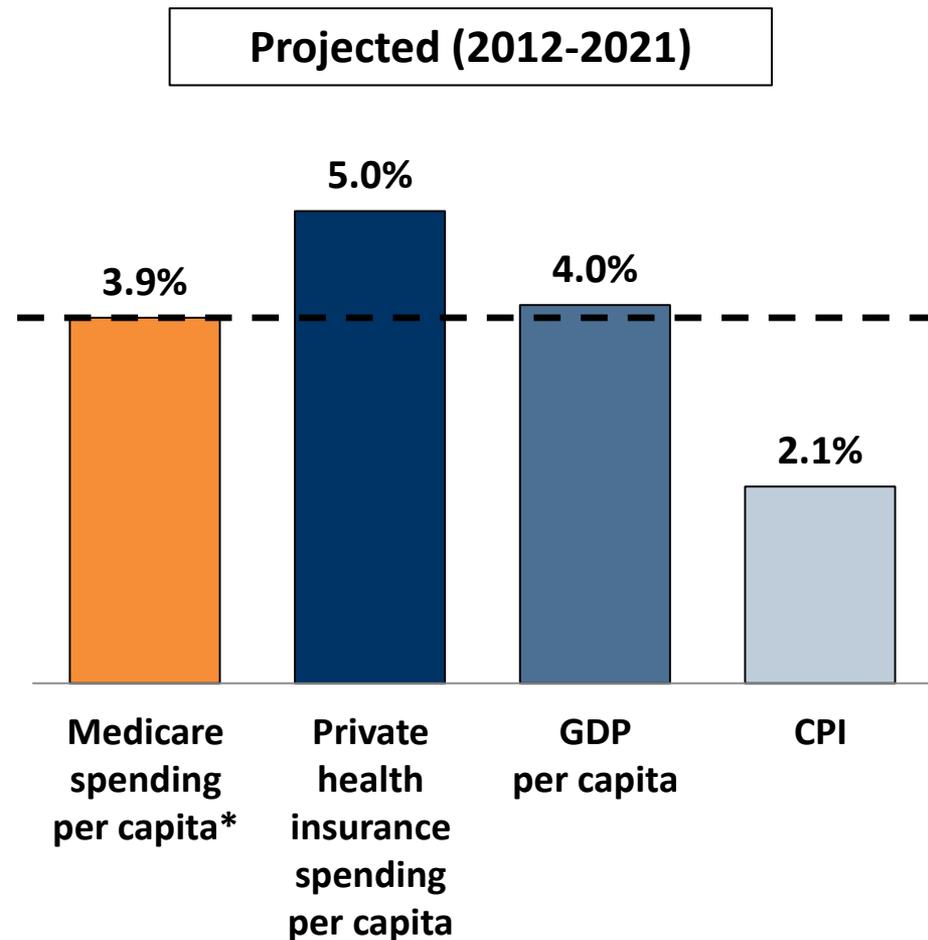
- Medicare is now 15% of the federal budget, growing to 18% by 2020
- Federal deficit exceeds \$1 trillion; national debt over \$16 trillion
- Medicare was 3.6% of the economy in 2010, growing to 3.9% by 2020 and 5.2% by 2030
- Medicare spending is projected to grow faster than the economy, due to retirement of baby boomers and rising health care costs (affecting all payers)



**Projected Total Federal Spending,
FY2012=
\$3.6 Trillion**

Other Considerations

- Medicare is projected to grow more slowly than private insurance on a per person basis over the next decade
- Medicare is projected to grow at about the same rate as the economy on per person basis
- The ACA includes \$700+ billion in Medicare savings between 2013 and 2022, and is testing new payment and delivery system reforms



NOTE: *Assumes no reduction in physician fees under Medicare between 2012 and 2021.

SOURCES: Kaiser Family Foundation analysis of data from Boards of Trustees, Bureau of Economic Analysis, Congressional Budget Office, Centers for Medicare & Medicaid Services, U.S. Census Bureau.

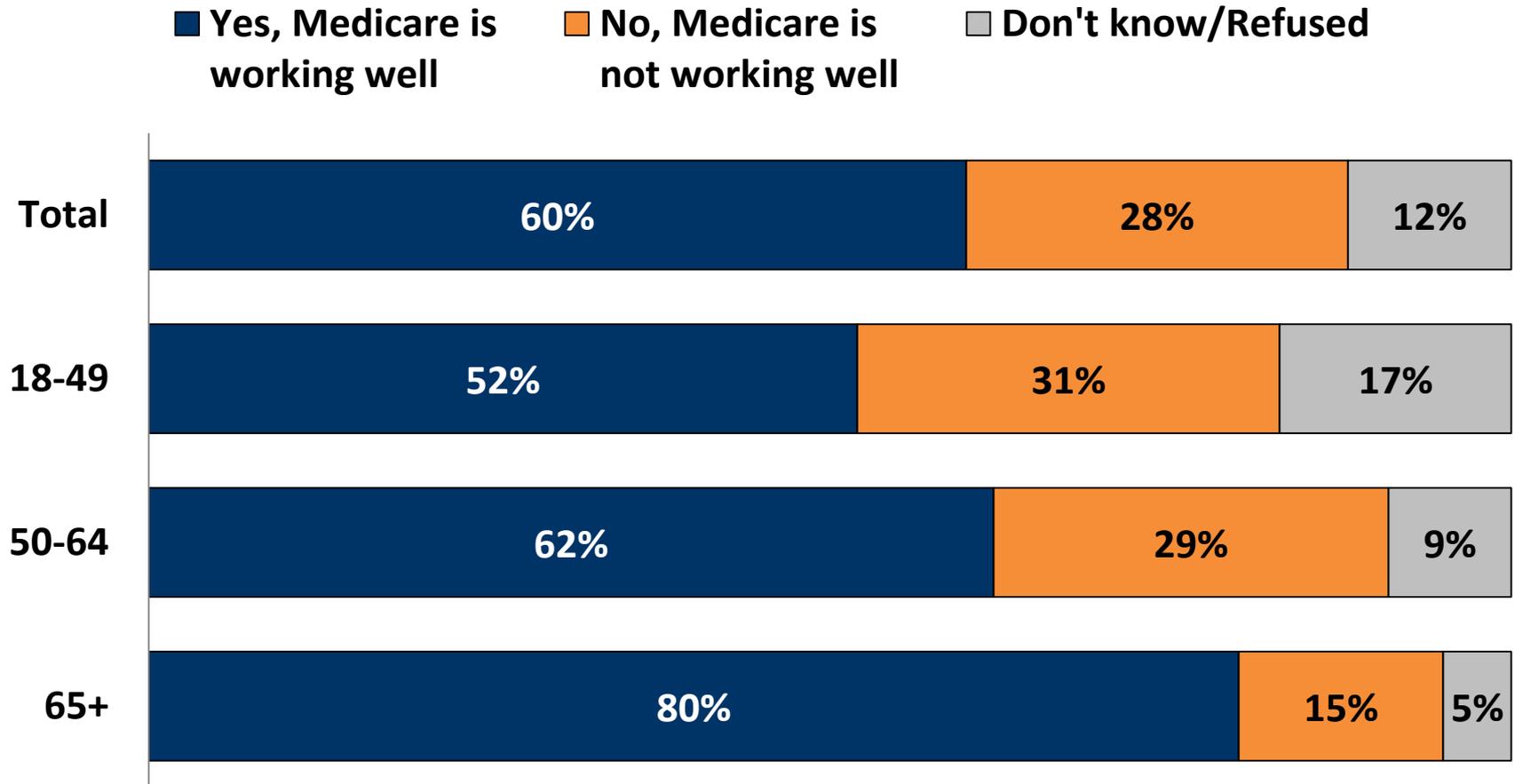
What's the Goal: Why "Reform" Medicare?

- **To reduce the federal deficit and debt**
- **To eliminate excess Medicare expenditures**
- **To leverage lower costs for all health payers**
- **To improve the quality of patient care**
- **To do a better job coordinating care for high-need, high-cost beneficiaries**
- **To improve benefits and/or strengthen protections for beneficiaries with low incomes**
- **To provide adequate financing of care for future generations of beneficiaries**
- **??**

Several Medicare Savings Proposals Under Discussion

- Transform Medicare into system of premium supports
- Cap Medicare spending
- Raise Medicare premiums for those with higher incomes
- Raise Part B premiums for all beneficiaries
- Raise age of Medicare eligibility from 65 to 67
- Raise cost-sharing requirements
 - E.g., new home health copayments; increase Part B deductible
 - For current beneficiaries? New beneficiaries?
- Prohibit first-dollar Medigap
- Impose Medicaid rebate for Part D LIS enrollees
- Strengthen IPAB
- Improve care and reduce costs for high-need populations, including dual-eligible beneficiaries
- Accelerate delivery system reform
- Additional reductions in payments to providers
- Reductions in payments to plans
- **Revenues?**
 - Increase payroll tax?
 - Dedicated tobacco/sugar taxes?

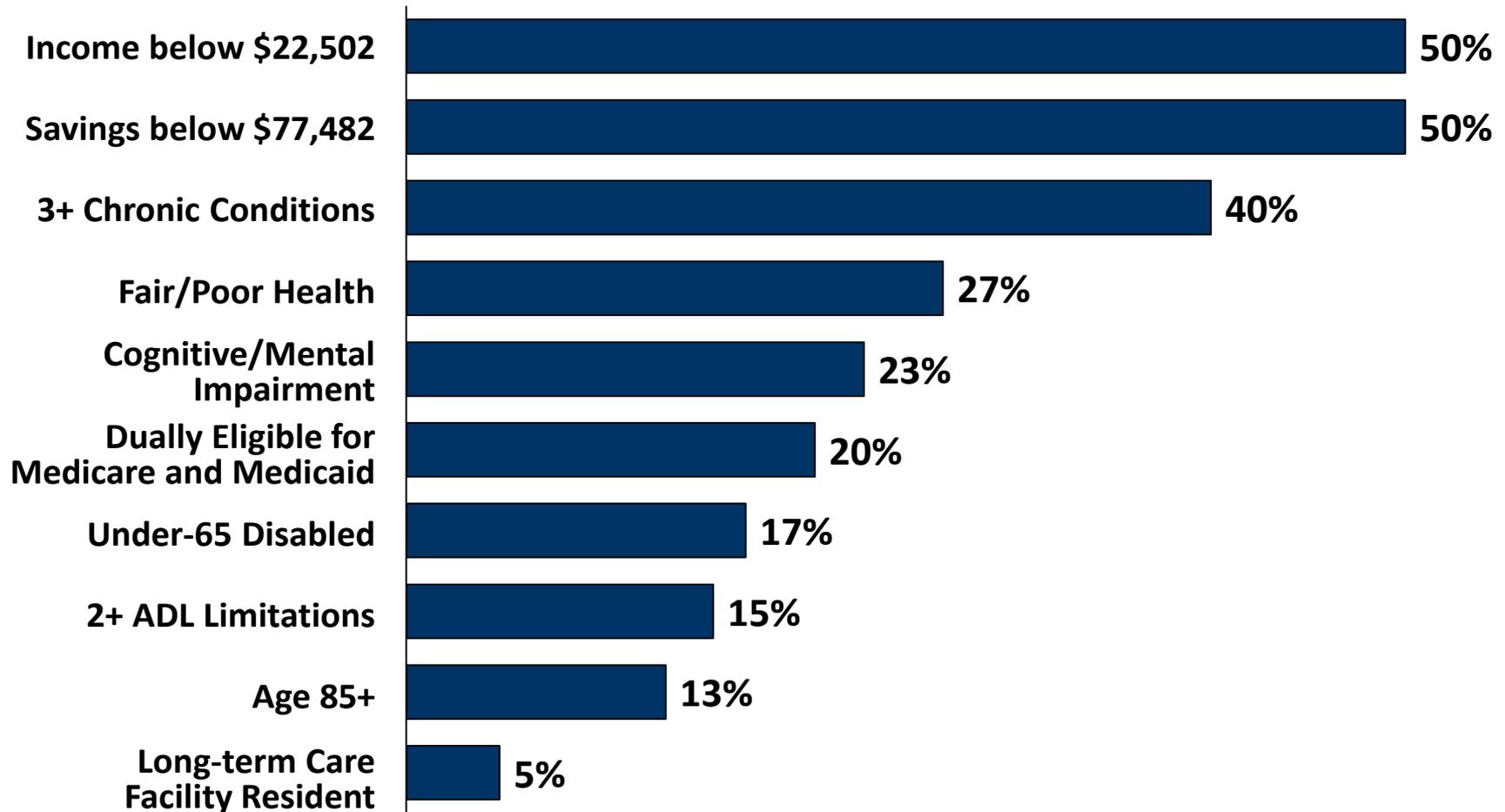
Seniors Most Likely To Say Medicare Is Working Well



SOURCE: Kaiser Family Foundation/Robert Wood Johnson Foundation/Harvard School of Public Health, The Public's Health Care Agenda for the 113th Congress (conducted January 3-9, 2013)

Characteristics of the Medicare Population

Percent of total Medicare population:



NOTE: ADL is activity of daily living.

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