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*Affordable, quality health care. For everyone.*

# **Medicare at 50: An Evolving Program Faces the Future**

Stuart Guterman  
Vice President, Medicare and Cost Control  
The Commonwealth Fund

National Academy of Social Insurance  
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# Medicare is a Multi-Faceted Program

- A vehicle for coverage to a large and growing population (aged and disabled) with extensive health care needs.
- A program that accounts for a large and growing share of the federal budget and national health spending.
- A platform for developing innovative payment and delivery system models.

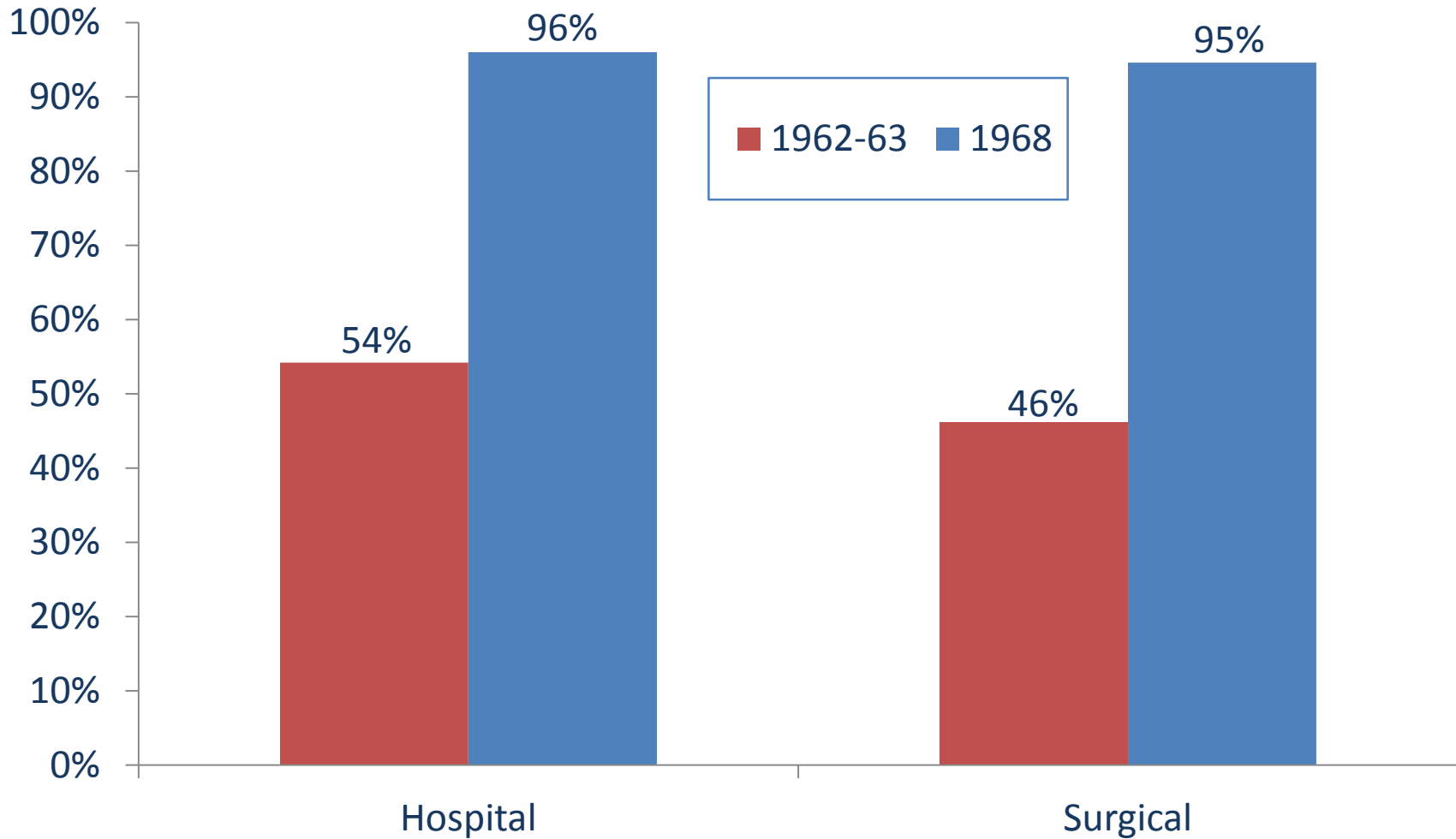


# Medicare's Immediate Impact

- Increased health insurance coverage.
- Increased access to health care.
- Increased protection against health care costs.
- Decreased disparities by race.
- Desegregation of hospitals (staff and facilities).



# Percentage of Persons Age 65 and Over With Hospital and Surgical Insurance, 1962-63 vs. 1968

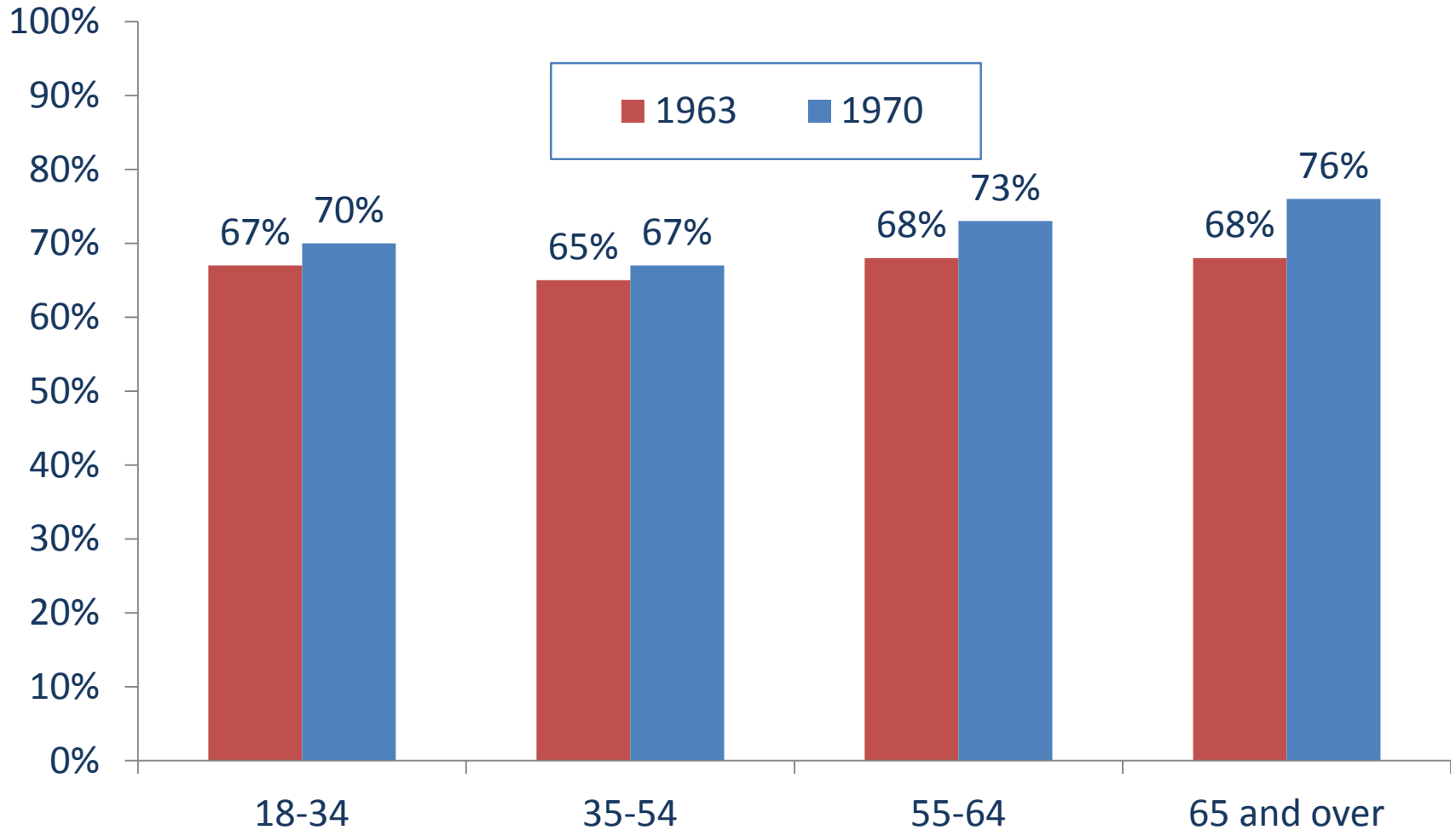


Source: R.A. Cohen et al. "Health Insurance Coverage Trends, 1959-2007: Estimates from the National Health Interview Survey." *National Health Statistics Reports* Number 17, July 1, 2009.



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# Percentage of Persons Seeing a Physician During the Year, by Age, 1963 and 1970

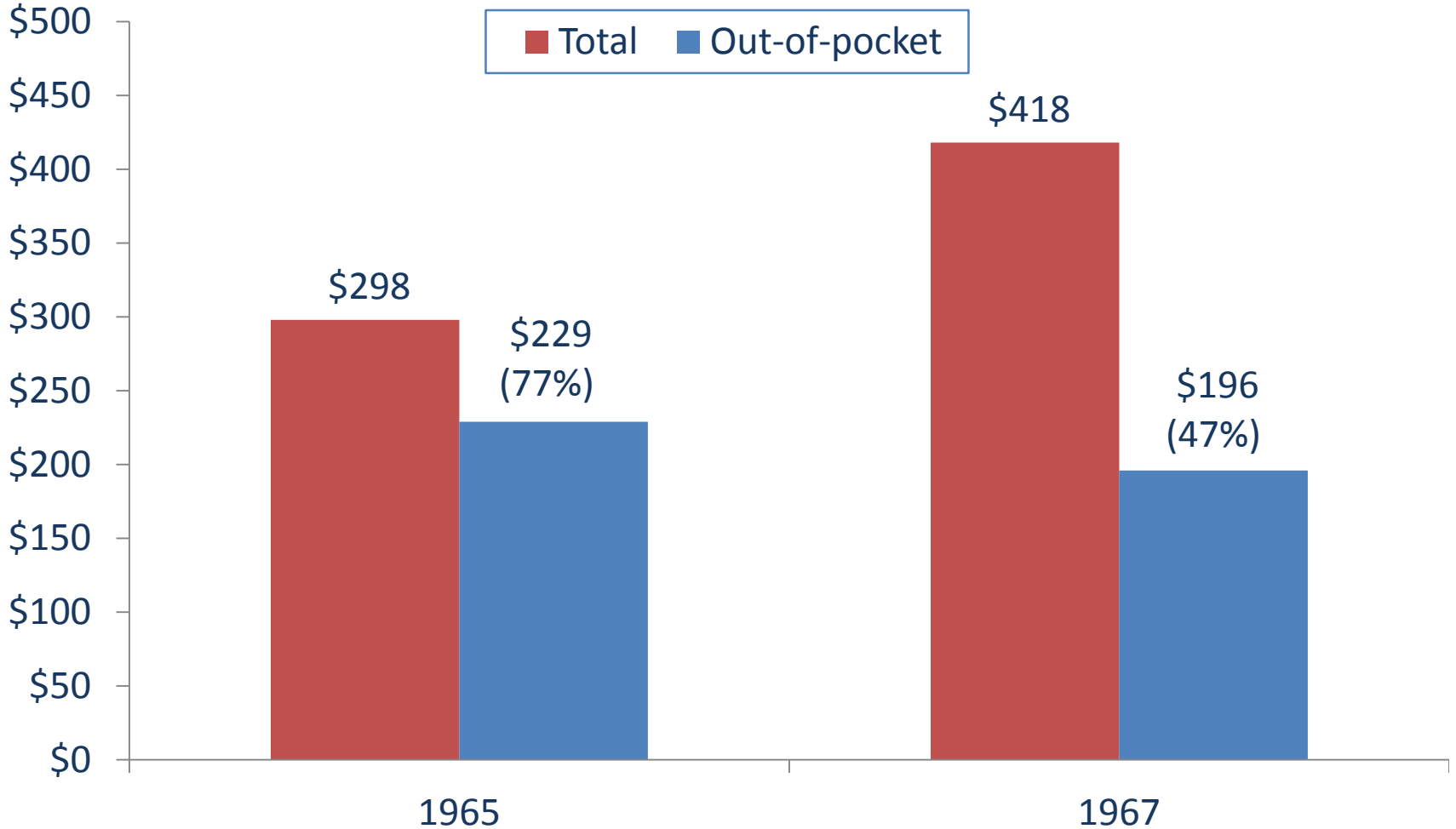


Source: R. Andersen, J. Lion, and O.W. Anderson. *Two Decades of Health Services: Social Survey Trends in Use and Expenditure*. (Cambridge, MA: Ballinger Publishing Co., 1976).



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# Mean Total Charges for Health Care and Out-of-Pocket Payments by Persons Age 65 and Over, 1965 and 1967



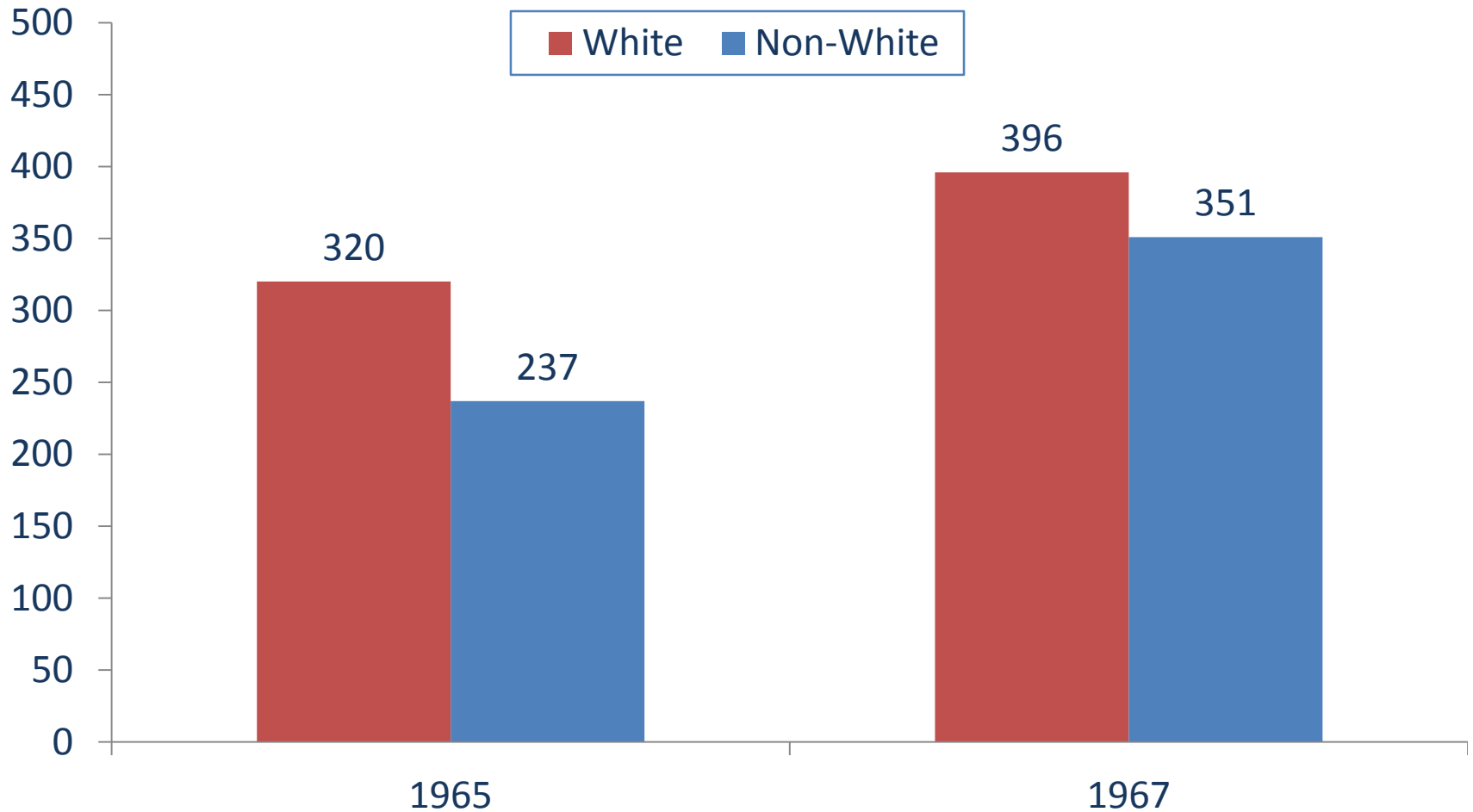
Source: R. Loewenstein. "Early Effects of Medicare on the Health Care of the Aged." *Social Security Bulletin* April 1971 34(4).



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# Short-Stay Hospital Utilization by Persons Age 65 and Over, by Race, 1965 and 1967

Days per 100 Persons

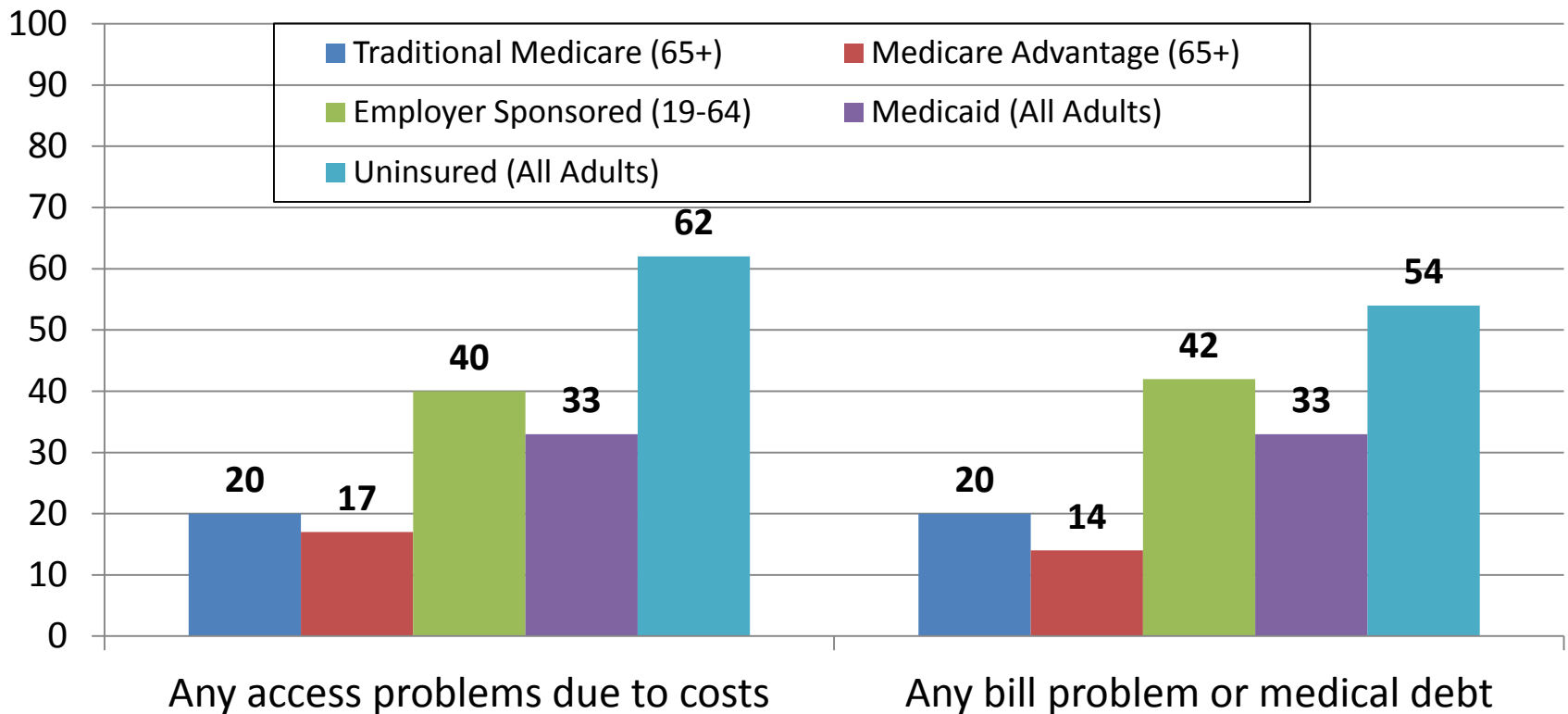


Source: R. Loewenstein. "Early Effects of Medicare on the Health Care of the Aged." *Social Security Bulletin* April 1971 34(4).



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# Medicare Beneficiaries Have Fewer Access Problems and Greater Protection Against the Financial Burden of Illness



Source: Commonwealth Fund 2012 Biennial Health Insurance Survey.

Note: Any access problems due to costs includes did not fill a prescription, did not get needed specialist care, skipped recommended test or follow-up, or had medical problems but did not visit doctor; Any bill problem or medical debt includes not able to pay bills, contacted by collection agency for unpaid medical bills, had to change way of life because of medical bills, or have medical bills or debt being paid off over time.



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# Medicare Has Evolved Over Time

- Increased eligibility (disabled added in 1972).
- Increased coverage (drug coverage added in 2006).
- Expanded role of private plans (Medicare risk program established in 1972 -> Medicare Advantage).
- Payment reform (prospective payment for hospitals in 1983, physician fee schedule in 1992, other prospective payment systems in 1997, Accountable Care Organizations in 2012).
- Quality improvement (Professional Standards Review Organizations in 1972 -> Quality Improvement Organizations, value-based payment initiatives).



# The Affordable Care Act and Medicare

- ACA mostly known for provisions expanding health insurance coverage, but also included important provisions to improve care for Medicare beneficiaries while slowing Medicare spending:
  - Extended coverage to all effective preventive services with no patient cost-sharing.
  - Eliminates the “doughnut hole” in Medicare prescription drug coverage.
  - Encourages payment and delivery system reform.
- Initiatives to encourage and reward changes in how health care is organized, delivered, and paid for:
  - Center for Medicare and Medicaid Innovation
  - Patient-Centered Medical Homes
  - Accountable Care Organizations
  - Bundled payment
  - Multi-payer initiatives

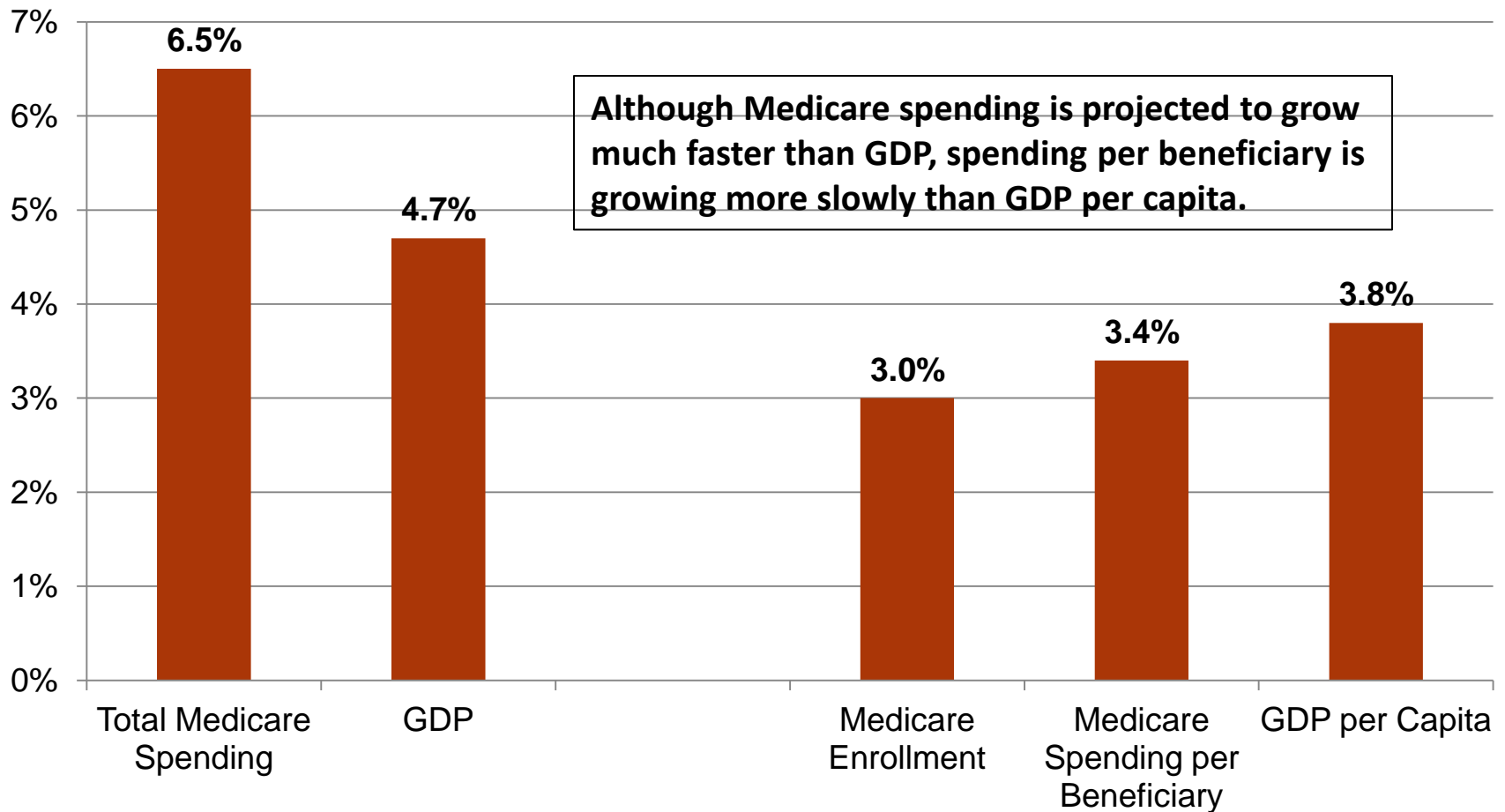


# Ongoing Challenges

- Rising expenditures—spending per beneficiary slowing, but rising number of enrollees -> rapid increase in total spending.
- Chronic illness—changing beneficiary needs in a program designed for acute care.
- Program fragmentation—beneficiaries in traditional Medicare obtain coverage from Part A (Hospital Insurance), Part B (Supplementary Medical Insurance), Part D (Prescription Drug Coverage), private supplemental (Medigap) coverage.
- Coverage gaps—high deductibles/copays, no limit on out-of-pocket costs, no coverage for long-term care.



# Projected Annual Growth Rates for Total Medicare Spending, GDP, Medicare Enrollment, Spending per Beneficiary, and GDP per Capita, 2013-2023

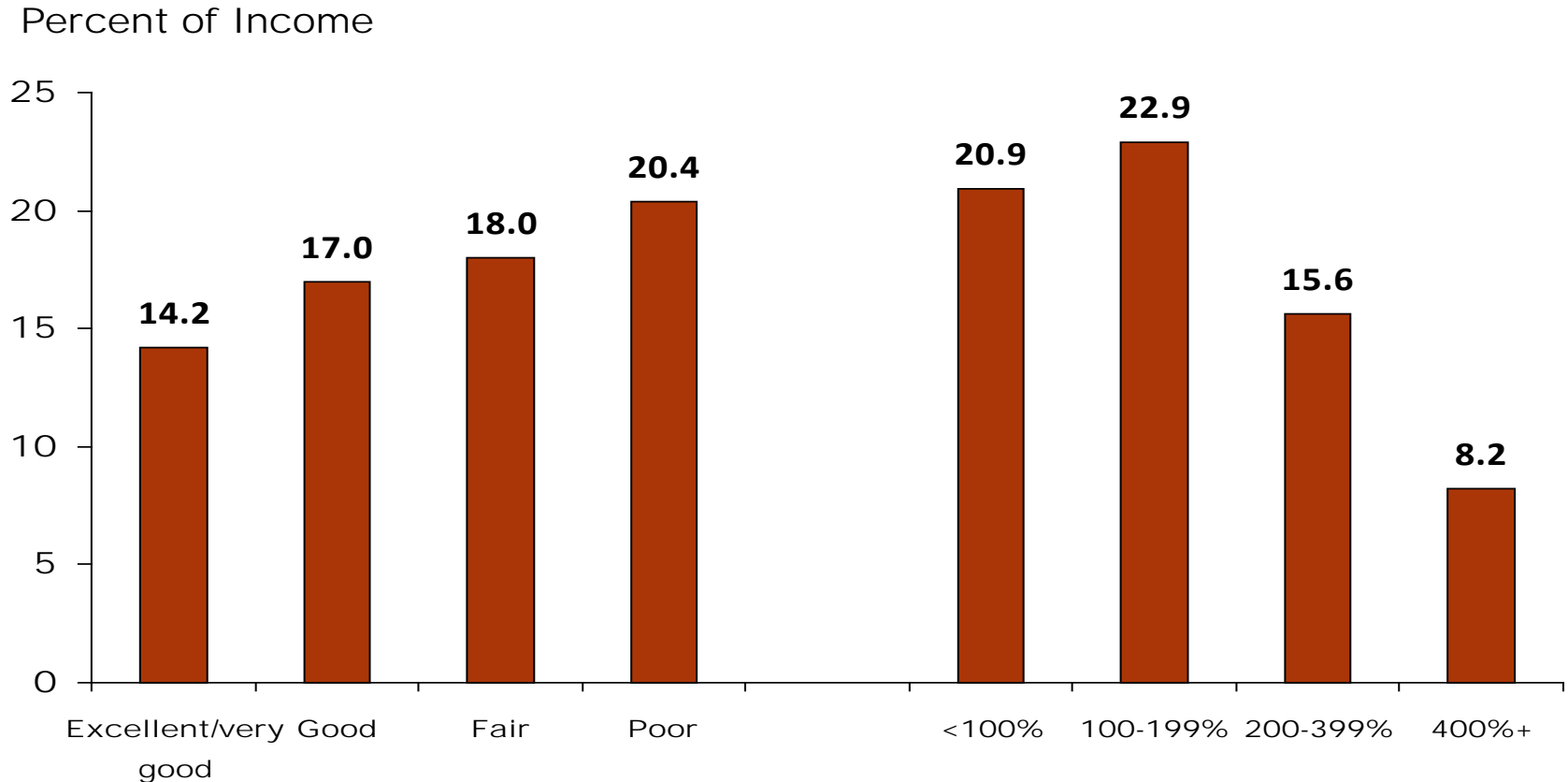


Source: Centers for Medicare & Medicaid Services, Office of the Actuary. National Health Expenditure Projections, 2013-2023.



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# Median Out-of-Pocket Health Spending as a Percent of Income Among Medicare Beneficiaries, by Health Status and Income, 2006

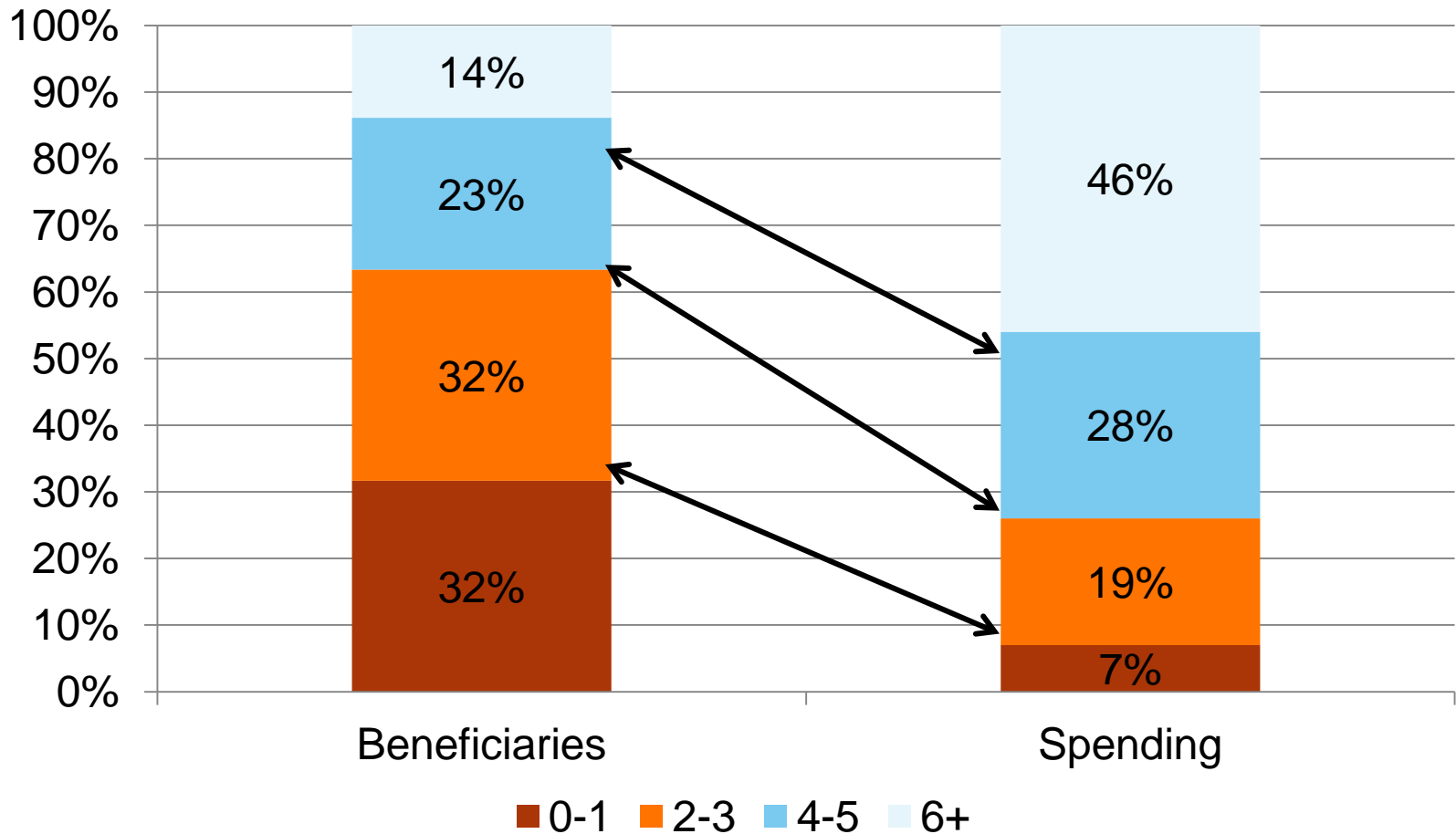


SOURCE: T. Neuman, J. Cubanski, J. Huang, and A. Damico. "How Much Skin in the Game Is Enough? The Increasing Financial Burden of Health Spending for People on Medicare." Kaiser Family Foundation Data Spotlight, June 2011.



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# Beneficiaries with Multiple Chronic Conditions Account for a Disproportionate Share of Spending in Traditional Medicare (2009 Data)



Source: Centers for Medicare & Medicaid Services. "Chronic Conditions Among Medicare Beneficiaries Chartbook: 2012 Edition."



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# Conclusions

- Medicare has been successful in achieving its basic mission: providing access to care and stable coverage to aged and disabled Americans.
- An aging population and the rising cost of health care have focused increased attention on controlling health spending while improving the quality of care and population health.
- As the country's largest health care purchaser, Medicare can play an important role in improving quality, promoting coordinated care, and controlling costs—both for its beneficiaries and throughout the health system.



# THANK YOU!



David Blumenthal, M.D.  
President  
The Commonwealth Fund



Karen Davis, Ph.D.  
Director  
Roger C. Lipitz Center for  
Integrated Health Care  
Johns Hopkins University

For more information, please visit: [www.commonwealthfund.org](http://www.commonwealthfund.org)



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