

# Enhancing Medicare's Access and Affordability

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National Academy of Social Insurance  
January 29, 2015

Johns Hopkins Bloomberg School of Public Health

# 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***Preliminary estimates of impact – not for citation***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

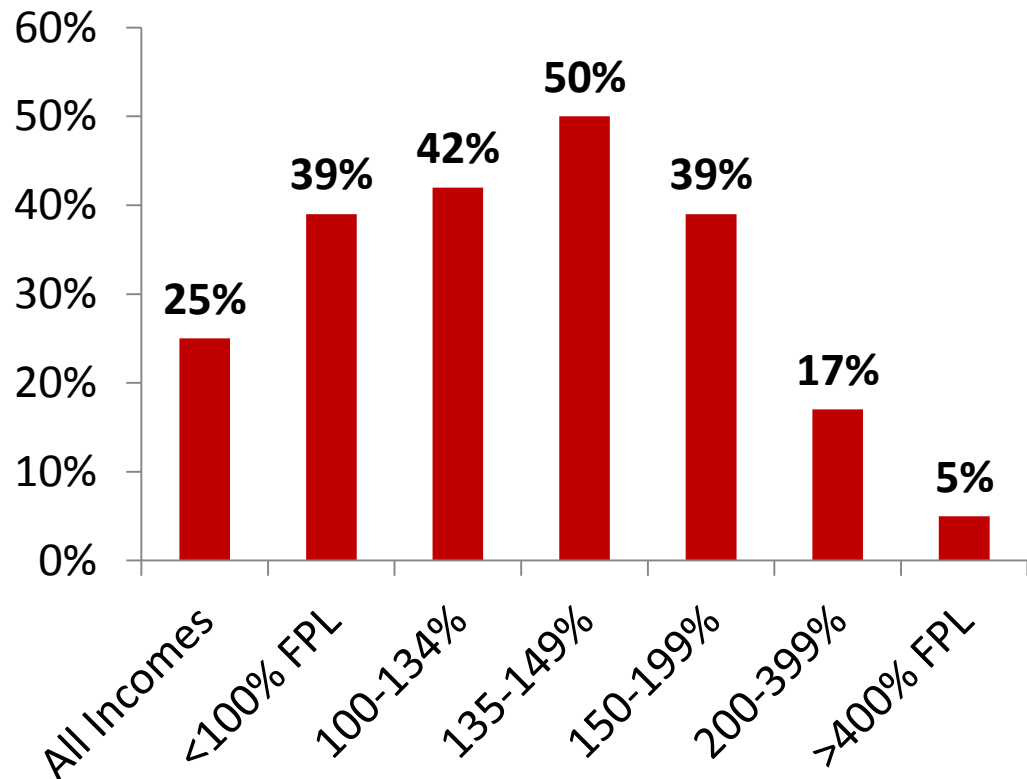
- **Gaps in core benefits and cost sharing**
  - Hospital and physician deductibles
  - 20% Part B coinsurance ; No out of pocket limit
  - Need supplemental plans for protection in traditional Medicare
- **Medicare low-income subsidies inadequate**
  - Premium only subsidy from 100 to 135% poverty
  - 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**

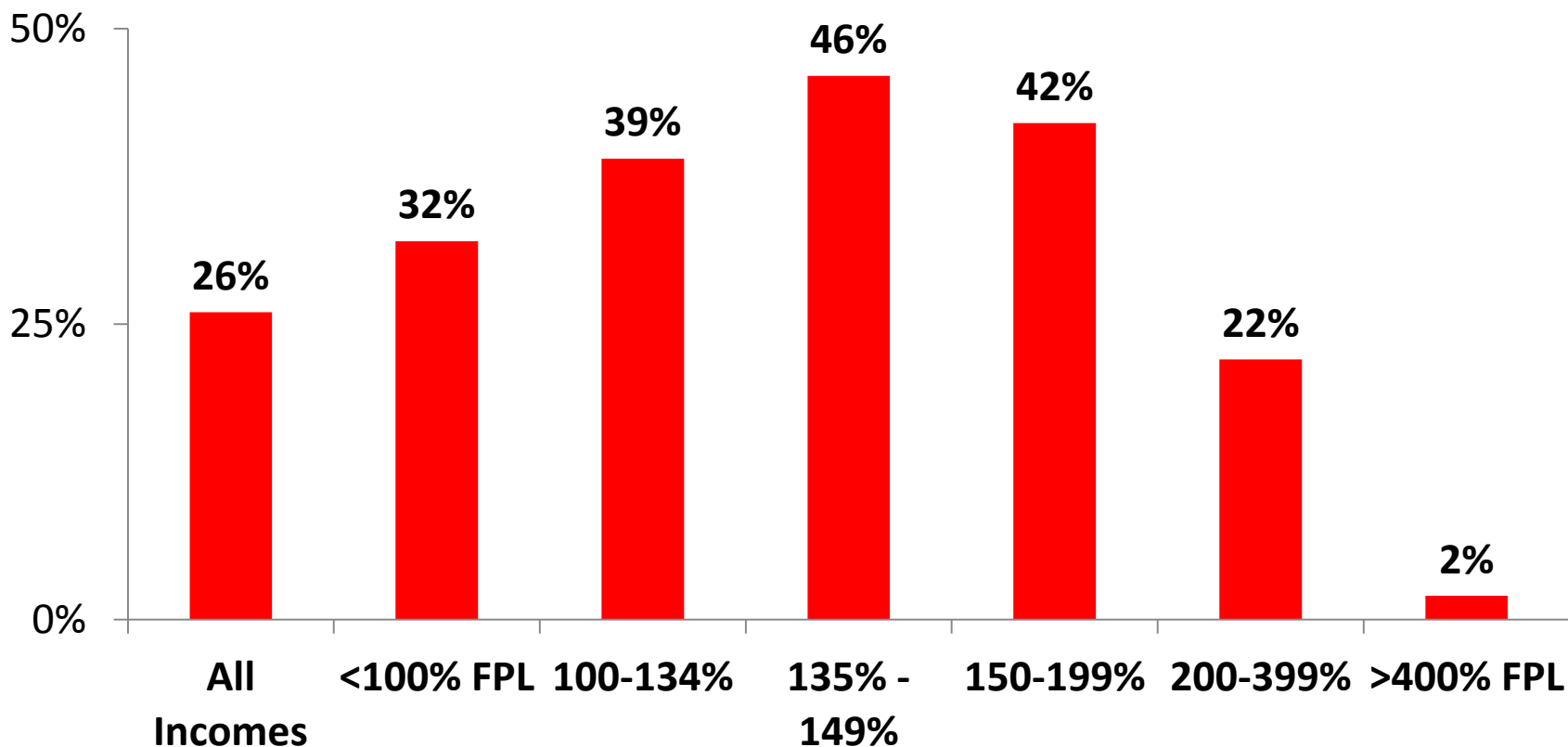


Source: Analysis of 2010 MCBS updated to 2014.



# High Premium Spending

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

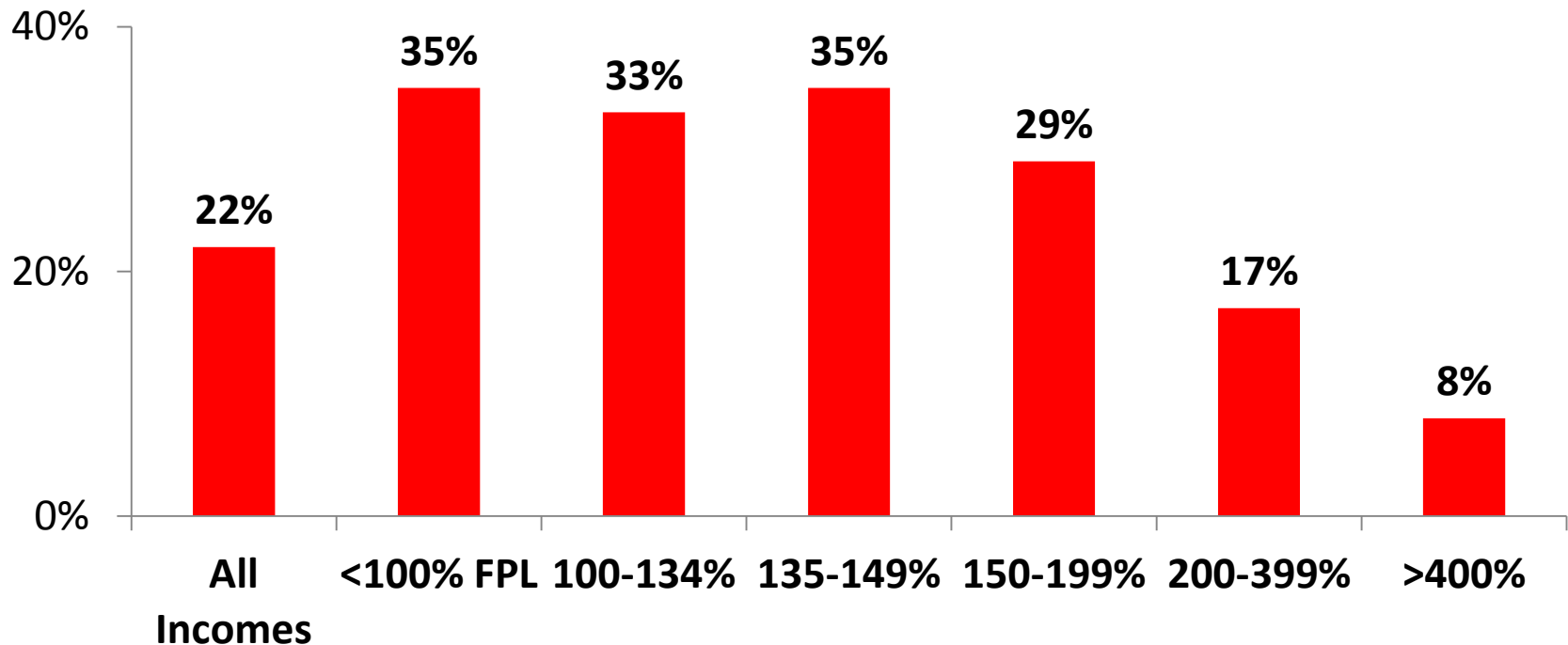


Source: Analysis of 2010 MCBS.



# 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

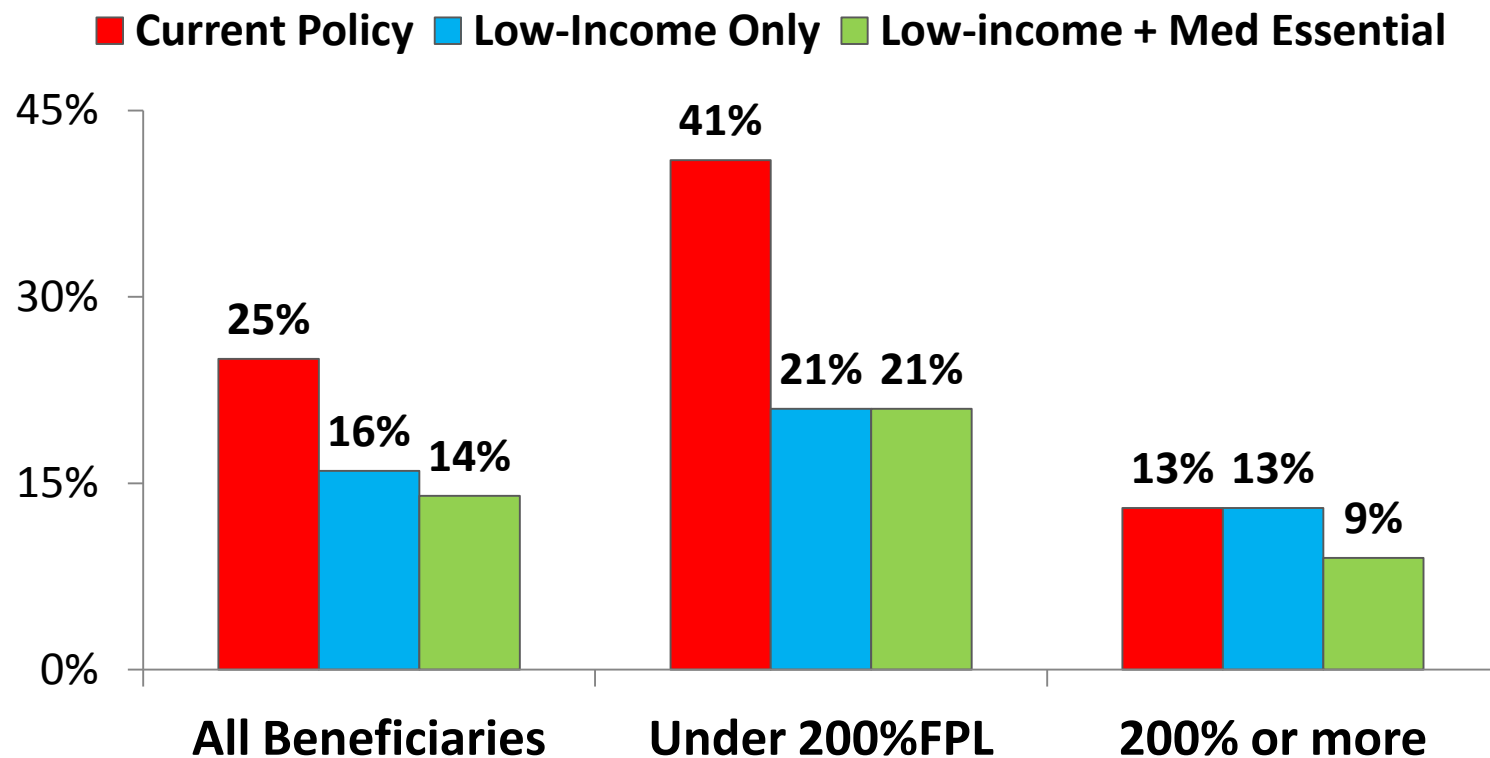
## **Expand low-income and Offer new Medicare Essential Option for all beneficiaries**

- 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



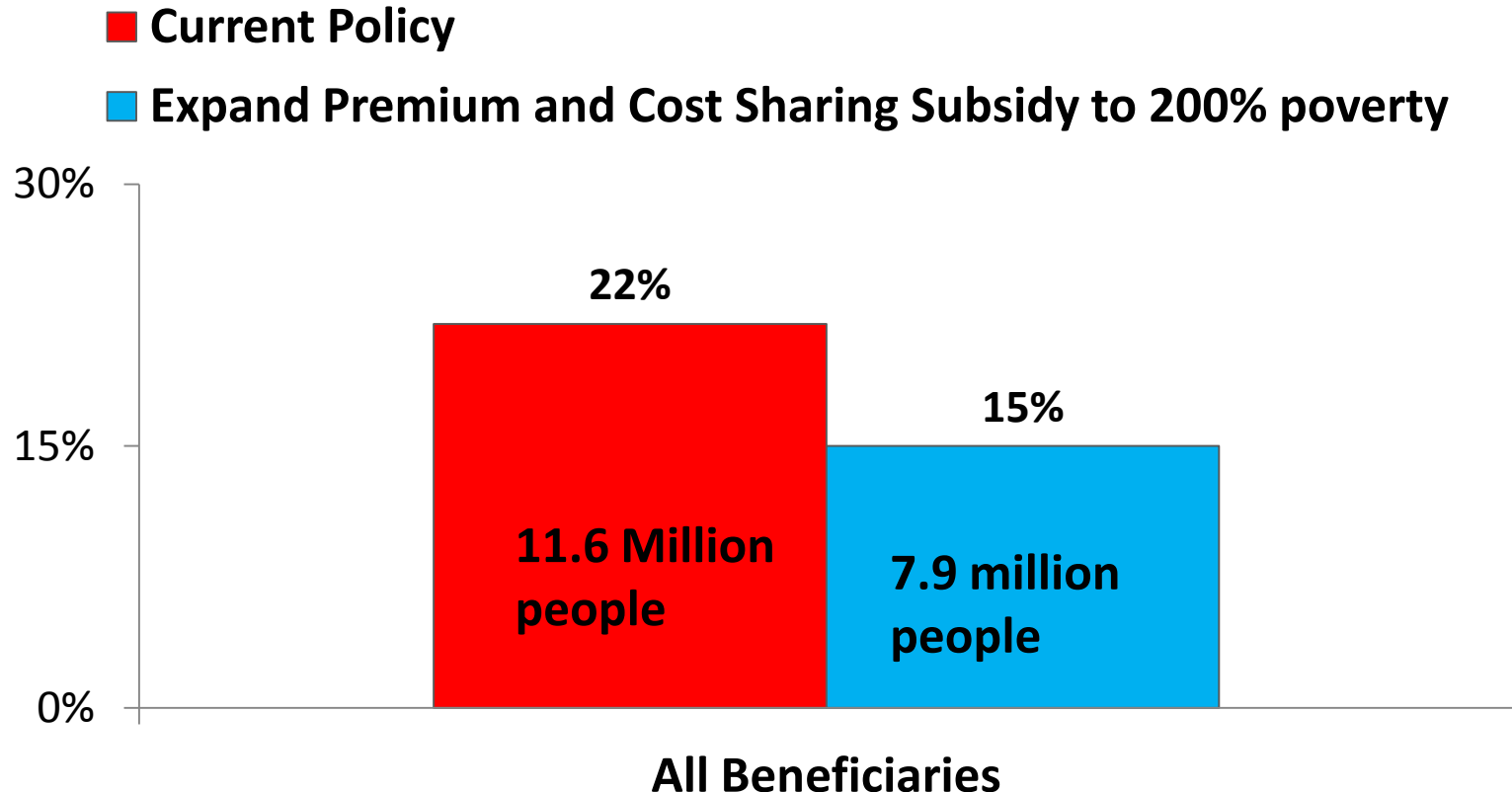
Source: Analysis of 2010 MCBS.





# Policy Could Reduce Number Underinsured

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



Source: Authors' analysis of 2010 MCBS. Projected to 2014 with policy reforms.



# Number of Beneficiaries with Lower Burden

Policy Option	Share with Lower Cost Burdens	
	Number (Millions)	Percent lower costs
<b>Expand Low Income Subsidies to 200%</b>	<b>11.8 M</b>	<b>22%</b>
<b>Expand Low Income Subsidies to 200% <u>and</u> Offer Choice of Medicare Essential</b>	<b>15.2 M</b>	<b>29%</b>

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 50<sup>th</sup> 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:
  - K. Davis, C. Schoen and S Guterman, Medicare Essential: An Option to Promote Better Care and Curb Spending Growth, *Health Affairs*, May 2013.

