

Medicare as a safety net in national emergencies

Karen Davis

The COVID-19 pandemic has highlighted the importance of Medicare as a safety net in times of natural or man-made emergencies. Few anticipated the possibility of a virus that would infect over 4 million people in the U.S. and leave over 150,000 dead. Medicare's elderly and disabled beneficiaries have been at greatly heightened risk during the pandemic, and the nation's health system was thrown into chaos in parts of the country by the sudden surge in patients — of all ages but predominantly elderly — who have required intensive care.

This is unlikely to be a one-time crisis, nor is it clear when the pandemic will end. We can expect future global emergencies whether driven by outbreaks of new diseases, climate change and global instability, natural disasters, or terrorism. So this is an opportune time to reflect on the importance of a social safety net that guarantees access to health care for all, ensures adequate income for food and shelter, and mobilizes communities to band together to combat threats to the well-being of everyone — including the most vulnerable because of poverty, age, medical conditions, or disability.

Several conclusions seem self-evident:

- › Health insurance coverage and access to care for all is a basic requisite of a humane society.
- › Investment in public health and advance planning for national emergencies should be priorities, to minimize and mitigate the impact of their occurrence.
- › No one should be impoverished and unable to obtain food or shelter as the result of losing a job or having inadequate health insurance (or none).

I will focus here on the first of these urgent policy priorities — on how we can create a health care safety net capable of protecting everyone from the financial and health care consequences of serious illness or injury.

The U.S. is alone among industrialized nations in failing to provide such a health care safety net for all. Fortunately, Medicare, enacted in 1965 as part of President Lyndon B. Johnson's vision for a Great Society, for more than 50 years has provided vital health insurance coverage for the program's elderly and disabled beneficiaries. But Medicare's fabric has frayed and needs updating to ensure adequate financial protection to those it covers. Actions to strengthen it can also serve as a guide for covering others at risk when disaster or medical emergency strikes.

IMPROVING MEDICARE COVERAGE

At a time of increasing calls for Medicare for All, or Medicare as a Choice for All, it is important to address the inadequacy of Medicare's benefits after five decades of rising health care costs.



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By design, Medicare covers those with the greatest need for health care — those age 65 and over and those under 65 with permanent and total disability. This is the same group with the greatest risk for mortality in the current COVID-19 pandemic.¹ The Centers for Disease Control estimates that 8 out of 10 COVID-19 deaths are persons age 65 and over.² COVID-19 mortality rates among those 85 and over are 8 times higher than those aged 50-64³, and 89 percent of COVID-hospitalized adults have had pre-existing medical conditions.⁴

We need to recall that even prior to the COVID-19 pandemic, Medicare beneficiaries with limited incomes and serious health problems were facing financial hardship for out-of-pocket health care expenses and premiums for Medicare and supplemental coverage.⁵ With no ceiling on out-of-pocket costs for covered benefits, a high deductible for hospital episodes, and no coverage for needed benefits such as dental, vision, and hearing care as well as long-term services and supports for disabled beneficiaries, Medicare leaves enrollees exposed to potentially staggering costs unless they buy expensive supplemental coverage. The Part A hospital deductible is currently \$1,408 per hospitalization, and while Part B physician services are covered after meeting a \$198 annual deductible, beneficiaries then pay 20 percent of all covered charges (including the costs of surgeons and physician-administered drugs for cancer treatments).

This lack of comprehensive protection has long been recognized as a flaw in Medicare's design. Because of it, 90 percent of beneficiaries obtain supplemental coverage through retiree health plans, Medicare Advantage managed-care plans, other private coverage, or Medicaid.⁶ The cost of paying premiums for Medicare Part B for physician services and Part D for prescription drugs as well as supplemental coverage consumes a large share of most beneficiaries' incomes.⁷

Among Medicare beneficiaries with incomes below 150 percent of the federal poverty level, two-thirds have three or more chronic conditions and/or serious physical or cognitive impairments that make them especially vulnerable to health and financial risks. More needs to be done to reduce the financial burden of health care and coverage on all beneficiaries, with special provisions to assist those who are most at risk, and to shore up the solvency of Part A, which finances hospital and post-hospital care through payroll tax revenues that are hit hard by high unemployment.

NEEDED POLICY CHANGES

Several policy changes would help ensure the affordability of care and coverage for Medicare beneficiaries. These include:

1. replacing the Part A deductible with a \$100 per hospitalization co-payment and setting a ceiling on total out-of-pocket costs⁸;
2. providing assistance with cost-sharing and premiums for all Medicare beneficiaries with incomes below 150 percent of the federal poverty level⁹;
3. expanding Medicare benefits to include dental, vision, and hearing services and personal care at home¹⁰⁻¹¹;

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4. merging the Part A and Part B trust funds and ensuring financial solvency through additional general revenue financing.

EXTENDING THE MEDICARE SAFETY NET

Medicare is a building block that can also provide coverage to those at risk in times of national emergencies or serious health conditions or injuries. One option for ensuring more affordable plan choices for people under 65 would be to offer an improved Medicare Extra plan, including prescription drug coverage, to those insured in private individual marketplaces and the small-group market. This plan could include optional dental, vision, and hearing care and personal care for those who are disabled.

Medicare has the strong advantages of low administrative costs and broad provider networks. Improving traditional Medicare and then offering it as a choice could help to stabilize the insurance market for those seeking individual coverage or small employer groups who are not yet eligible for Medicare. The expanded choice would be especially attractive to older adults who are preparing for coverage under Medicare when they retire.

Medicare for All proposals call for full replacement of all other insurance sources by a tax-financed single-payer program with a comprehensive benefit for everyone. Key challenges to replacing existing coverage in one comprehensive step include (1) the loss of employer health benefit contributions as a source of financing and (2) displacement of current coverage under employer plans that cover 159 million people and state-run Medicaid programs that cover 44 million people.

A less disruptive option would be to offer Medicare Extra as a choice in the individual and small-firm insurance markets. Such an incremental approach would, however, require reform of Medicare's core benefit design to avoid the need for supplemental coverage. If Medicare included a limit on out-of-pocket costs and replaced the hospital deductible with a modest hospital copayment, Medicare's core benefits would provide more affordable coverage to current beneficiaries as well as those under age 65 offered a choice of Medicare Extra.

Improving Medicare benefits by limiting patient out-of-pocket costs would provide much-needed financial protection for financially strapped Medicare beneficiaries. Fully half of all Medicare beneficiaries have savings below \$75,000 and live on modest or low incomes. Putting a limit on out-of-pocket costs, if combined with expanded low-income premium subsidies as people age into Medicare, would safeguard low-wage retirees as they lose income from employment.

BUILDING ON MEDICARE OFFERS A WAY FORWARD

Building on what now exists, including Medicare's strengths of low administrative cost and its provider payment system, the nation could move either incrementally or through comprehensive reform to an administratively more efficient, easier-to-navigate, and lower-cost health care system. In sum,

redesigning Medicare and offering it as choice to the under-65 population could create a health care safety net that would protect everyone in time of national emergency — especially those currently most at-risk because of inadequate health insurance coverage.

ENDNOTES

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