Why Social Security Matters to You

July 17, 2024

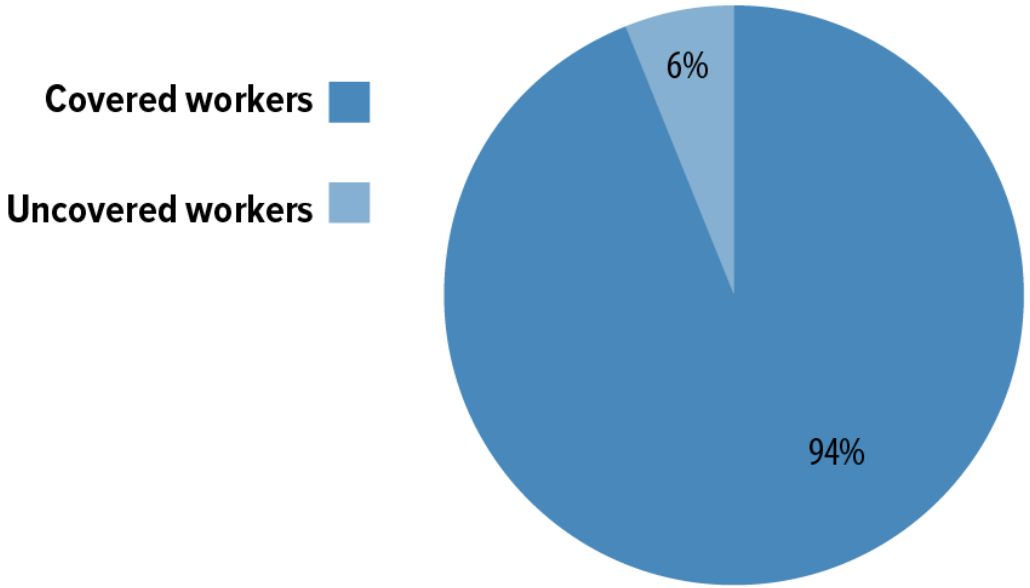
Kathleen Romig
Social Security Administration

Securing today and tomorrow

Social Security Matters Because…
You're Already Participating

Social Security Covers Nearly All American Workers

Percentage of workers contributing to Social Security, 2024



Social Security Matters Because…

You May Have Already Received Benefits

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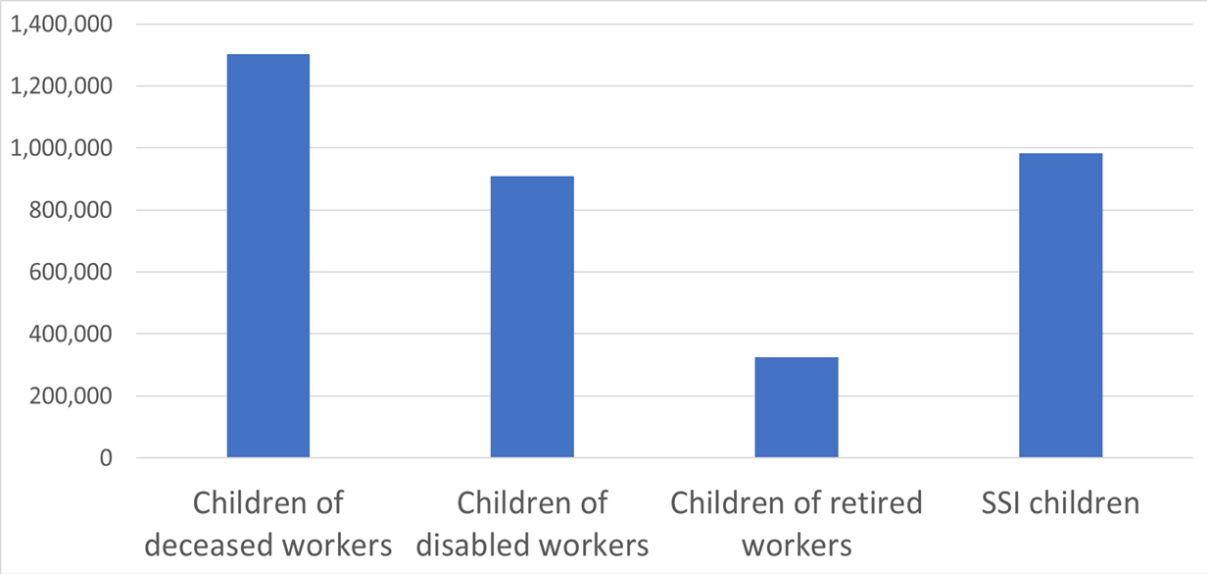
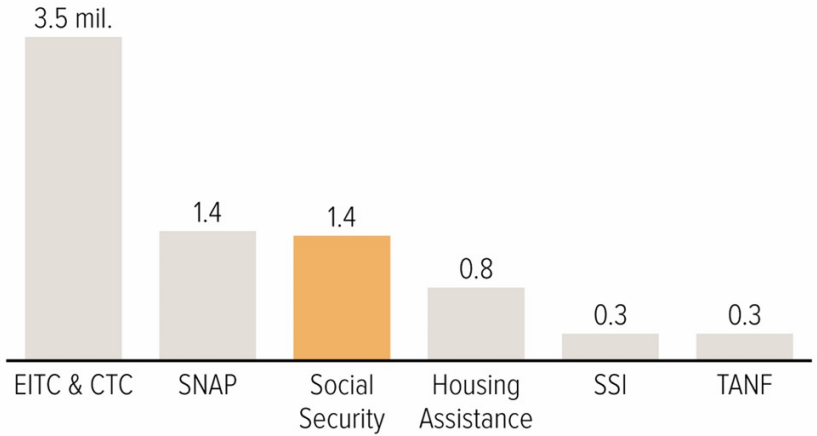
Nearly 3.5 Million Children Receive Social Security or SSI Benefits

March 2024



Social Security Lifts 1.4 Million Children Above the Poverty Line

Number of children lifted out of poverty by selected programs in 2022, in millions



Note: Figures use the federal government's Supplemental Poverty Measure (SPM) and do not correct for the underreporting of benefits. Numbers include benefits paid to children and to their family members. In the first bar, the refundable portion of the Child Tax Credit is included. EITC = Earned Income Tax Credit, CTC = Child Tax Credit, SSI = Supplemental Security Income, TANF = Temporary Assistance for Needy Families

Source: U.S. Census Bureau, Poverty in the United States: 2022, Table B-8

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Social Security Matters Because…
You're Going to Need It

*maybe sooner than you think

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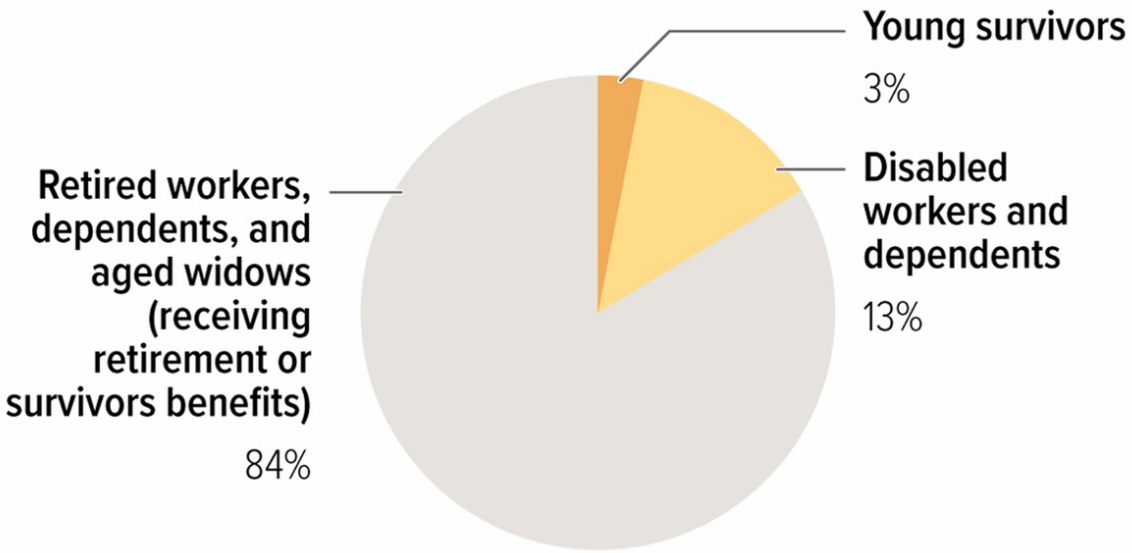
One-Fifth of Social Security Beneficiaries Receive Disability or Young Survivors Benefits



Source: Social Security Administration, January 2024 data

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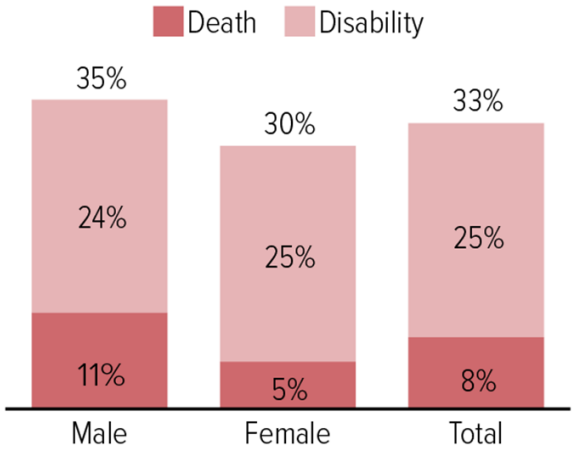
Young Workers Have 1 in 3 Chance of Death or Disability Before Retirement

Probability of disability or death before reaching Social Security's full retirement age



Note: Projections are for workers reaching age 20 in 2022, for whom the full retirement age is 67.

Source: Social Security Administration

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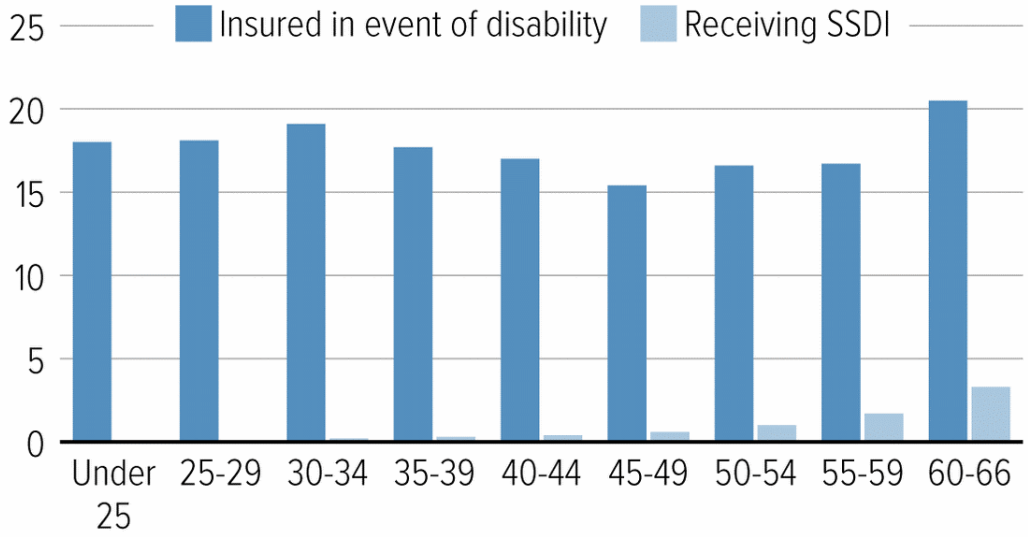
Social Security Disability Insurance Protects Millions of Workers of All Ages

Workers, by age group, 2022



Source: Social Security Administration

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Social Security Matters Because…

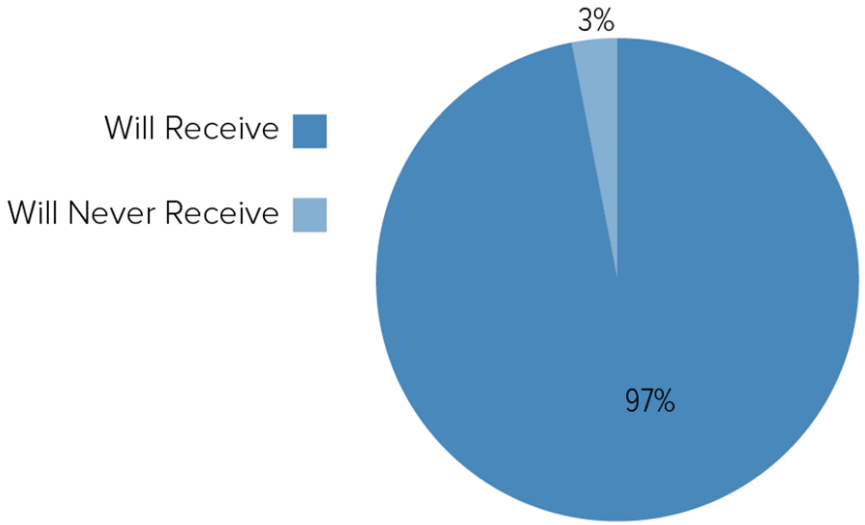
You'll Definitely Need It When You're Older

*even if you think you won't

Securing today and tomorrow

Nearly All Older Americans Receive or Will Receive Social Security

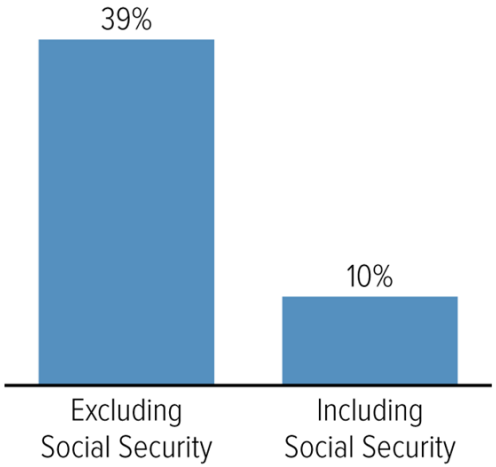
Percentage of population age 60+ who ever receive Social Security, 2024



Source: Office of Retirement Policy, SSA, 2015

Social Security Dramatically Cuts Poverty Among Older Adults

Percentage of adults aged 65 or older in poverty, 2022



Note: This analysis uses the official poverty measure.

Source: CBPP analysis of data from the Census Bureau's March 2023 Current Population Survey

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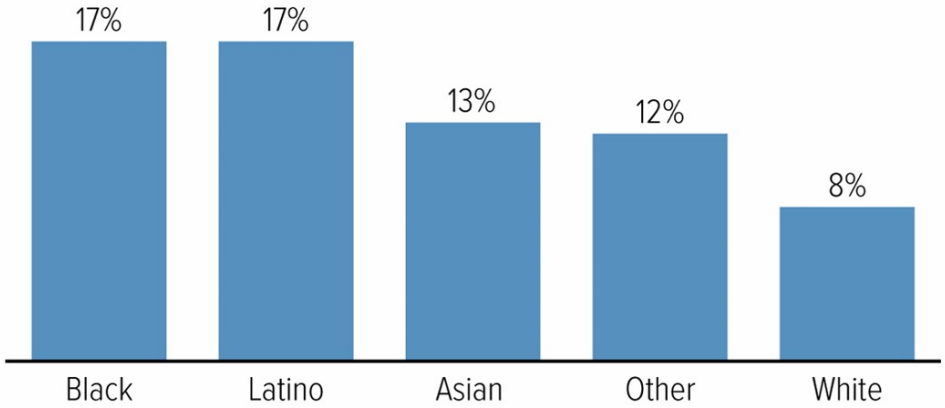
Older People of Color Face Higher Poverty Rates

Poverty rate for those aged 65+, by race/ethnicity, 2022



Note: Latino may be of any race, and other races/ethnicities refer to those groups alone and not Latino. "Other" includes individuals who identify as American Indian, Alaska Native, Native Hawaiian, other Pacific Islander, and/or multi-racial (not Latino).

Source: CBPP analysis of Official Poverty Measure data from the Current Population Survey for March 2023

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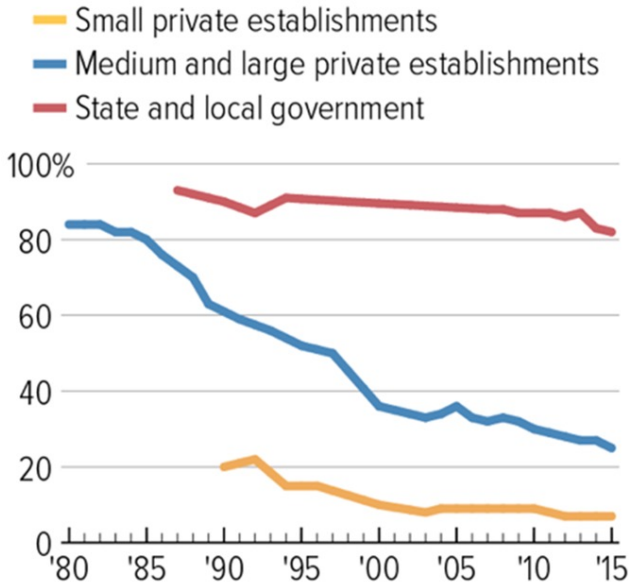
Traditional Pensions Are on the Wane

Percentage of full-time workers covered by defined-benefit pension plans

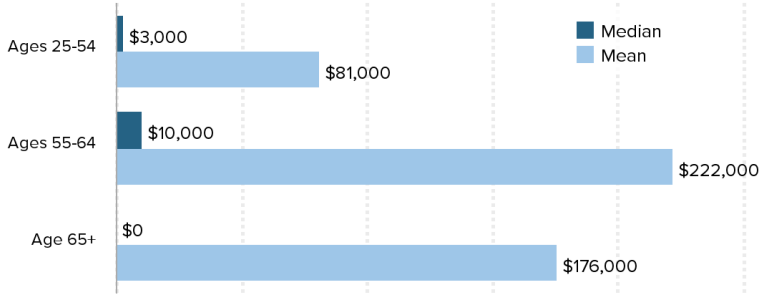


Source: Employee Benefits Research Institute, EBRI Data-book on Employee Benefits, Chapter 5 (www.ebri.org).

2H

Most older households have little or nothing saved in retirement accounts

Median and mean retirement account savings, by age, 2019



Notes: Retirement account savings include funds in 401(k)-style defined contribution plans and in IRAs but not in defined benefit pension plans.

Source: Economic Policy Institute (EPI) and Schwartz Center for Economic Policy Analysis (SCEPA) analysis of Survey of Consumer Finances 2019 microdata (Federal Reserve 2022a).

Economic Policy Institute

Social Security Matters Because…

You Don’t Need to Support Your Parents

*or grandparents, siblings, etc.

Securing today and tomorrow

Social Security Matters Because…

Your Generation Will Shape Its Future

Securing today and tomorrow

Questions?

What is The Arc?

- The Arc promotes and protects the human rights of people with intellectual and developmental disabilities and actively supports their full inclusion and participation in the community throughout their lifetimes.
- Advocacy and direct service provision
- National network of 600+ state and local chapters

Defining Disability

- **Americans with Disabilities Act (ADA)** defines a person with a disability as someone who:
  - Has a physical or mental impairment that substantially limits one or more major life activities, or
  - Has a history or record of an impairment (such as cancer that is in remission), or
  - Is regarded as having such an impairment by others even if the individual does not actually have a disability (such as a person who has scars from a severe burn that does not limit any major life activity).

Defining Disability

- **To meet the Social Security Administration (SSA)'s definition of disability**, you must not be able to engage in any "substantial gainful activity" (SGA) because of a medically determinable physical or mental disability(ies) that is either:
  - Expected to result in death.
  - Has lasted or is expected to last for a continuous period of at least 12 months.
- **The SGA amount for persons with disabilities other than blindness is $1,550 per month in 2024.**

Who is included? Who is excluded?

- Being eligible for these programs is not a good proxy for being disabled.
- There are millions of people with disabilities who are not on these programs.
- Some may need help they are not getting because our system is not designed to provide that help.

Social Security and SSI Basics

- When people talk about “Social Security” they may be talking about two different programs.
- The first program is Social Security Old Age, Survivors, and Disability Insurance (OASDI).
- The second program is Supplemental Security Income (SSI).
- Both of these programs provide income support or cash assistance to people with disabilities.

Social Security
Old Age, Survivors, and Disability Insurance (OASDI)

Supplemental Security Income (SSI)

Key Differences

Supplemental Security Income

- Funded by general taxes
- "Means-tested" benefit

Old Age, Survivors, and Disability Insurance (OASDI)

- Funded through payroll taxes
- Social Insurance

Why is Social Security and SSI important?

- Social Security is important because it provides cash assistance. It is also important because it gives participants access to health care.

If you have Social Security OASDI benefits, you are eligible for Medicare after a waiting period.

If you have SSI, in most states that means you are eligible for Medicaid.

SSI

Social Security
Old Age, Survivors, and Disability Insurance (OASDI)

Social Security Disability Insurance (SSDI)

Social Security Survivors Insurance

Disabled Adult Child (DAC)

Disabled Widow/er

How do I get Social Security or SSI?

- How do I get Social Security or SSI?
- To get any kind of Social Security disability benefits, you have to go through the disability determination process.
- They will review medical records and information about your income, resources, and your work record.
- After you are found to be “disabled” then they will also conduct reviews to ensure that you are “still” disabled.
- **Making sure this disability determination process works for people with disabilities is a very important policy issue.**

SSI Key Facts

- Approximately 7.4 million people
- Max benefit 2024: $943/$1,415 per couple
- Average benefit: $696 a month
- Total cost: $65 billion per year
- Means-tested, complex rules:
  - Asset test: $2,000/$3,000 for couple
  - Earned and unearned income reduce benefit levels
  - “In-Kind Support and Maintenance” can reduce benefit levels
  - Marriage penalties

SSDI Key Facts

- 7.9 million SSDI beneficiaries
- Only 33% of applicants ultimately qualify
- SSDI trust fund solvent, but overall Social Security trust fund will not be able to pay out full benefits starting in 2035.
- 5 month waiting period for benefits
- 24 month waiting period for Medicare
- No asset limits
- Complex work rules

Disabled Adult Child (DAC) Benefit

- 1,142,699 disabled adult child beneficiaries
- Comes from the parent's work-record and a parent's triggering event (disability, retirement, death). Benefit level higher for death of a parent.
- Disability must have begun before the age of 22.
- Often higher benefit than SSI cash benefit.
- Entitled to Medicare (after waiting period), may retain access to Medicaid if a SSI beneficiary.
- Complex work rules
- Marriage penalty

Key Advocacy Priorities

SSI

- Asset limits
- Income limits
- Outdated rules
- Marriage penalties
- Beneficiary poverty

SSDI

- Complex work rules
- DAC work and marriage penalties

Both

- Access to benefits
- Administrative burden
- Work barriers
- Overpayments
- SSA customer service

SSI Savings Penalty Elimination Act

The bipartisan **SSI Savings Penalty Elimination Act (S.2767/ H.R.5408)** led by Senator Sherrod Brown (D-OH), Senator Bill Cassidy (R-LA), Representative Danny Davis (D-IL), and Representative Brian Fitzpatrick (R-PA) would empower millions of people with disabilities to earn and save more money for their futures by:

- Raising the asset limits for individuals to $10,000
- Raising the asset limits for couples to $20,000 to help correct a harmful marriage penalty
- Indexing the asset limits to inflation moving forward

Marriage Equality

- Pass the **SSI Savings Penalty Elimination Act (S.2767/H.R.5408)**, which would eliminate the SSI asset limit 25% marriage penalty.
- Pass the **Marriage Equality for Disabled Adults Act (H.R.6640),** which would end marriage penalties for DAC beneficiaries and end the “holding out” rule.
- Pass the **SSI Restoration Act (H.R.7138)**, which would make long-overdue reforms to the SSI program, increase benefits, eliminate marriage penalties, and update eligibility requirements.

THANK YOU

Summary of Policy Options for the Lunchtime Exercise

National Academy of Social Insurance
Summer Intern Academy:
Demystifying Social Insurance

Office of the Chief Actuary
Social Security Administration
July 18, 2024

Our team today

- Steve Goss, Chief Actuary, Social Security Administration
- Karen Glenn, Deputy Chief Actuary for Long-Range Estimates
- Jason Schultz, Executive Officer and Supervisory Actuary
- Dan Nickerson, Supervisory Actuary
- Kyle Burkhalter, Actuary
- Mike Li, Actuary
- Chris Chaplain, Actuary

Agenda

- Introduction
- Options to increase revenue for solvency
- Options to reduce benefits for solvency
- Options to increase benefits for adequacy
- Putting it all together

Role of the Office of the Chief Actuary

- Evaluate financial status of Social Security (OASDI) and future cost of Supplemental Security Income (SSI)
- Project future population, workforce, employment, tax revenue, benefits, and (for OASDI) the status of trust funds
- Projections for the President's FY Budget and Mid-Session Review
- Projections for Annual OASDI Trustees Report
- Projections for Annual SSI Report
- ***Estimate effects of all changes considered for law and regulations by the Administration and Congress***

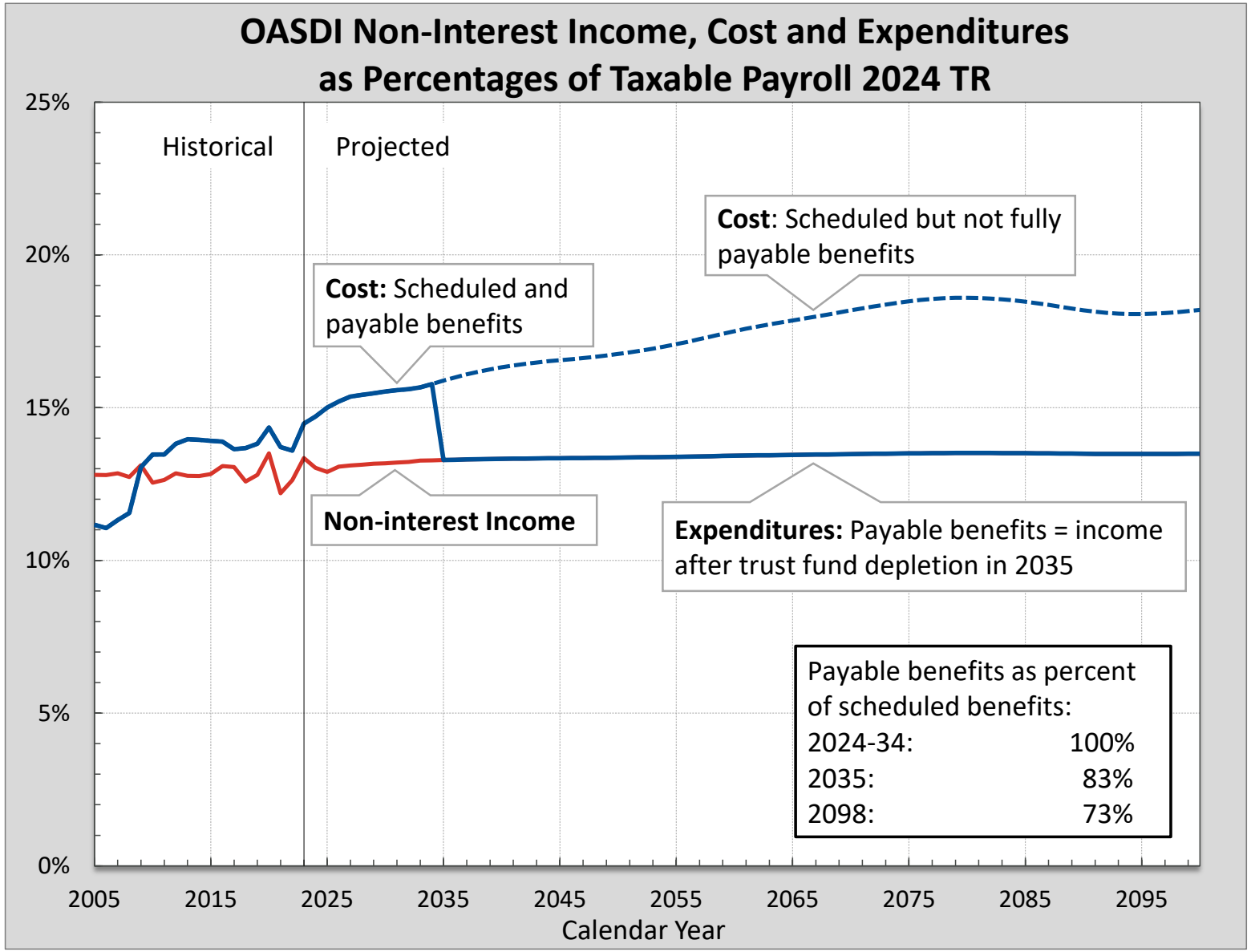
OASDI Annual Cost and Non-Interest Income as Percent of Taxable Payroll

Program cost rose above tax income by 2010 and is still rising

Trust fund reserves will be depleted by about 2035

But 83 percent of scheduled benefits are still payable at trust fund reserve depletion

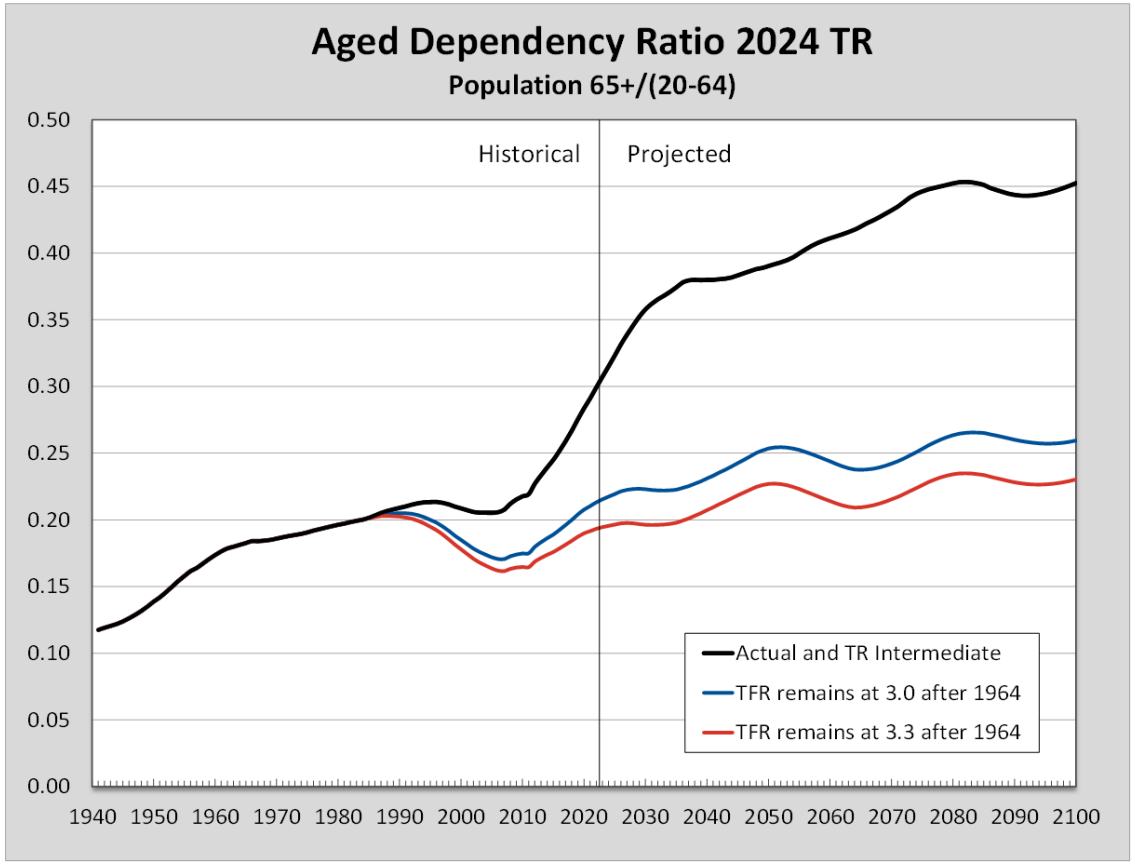
73 percent payable by 2098

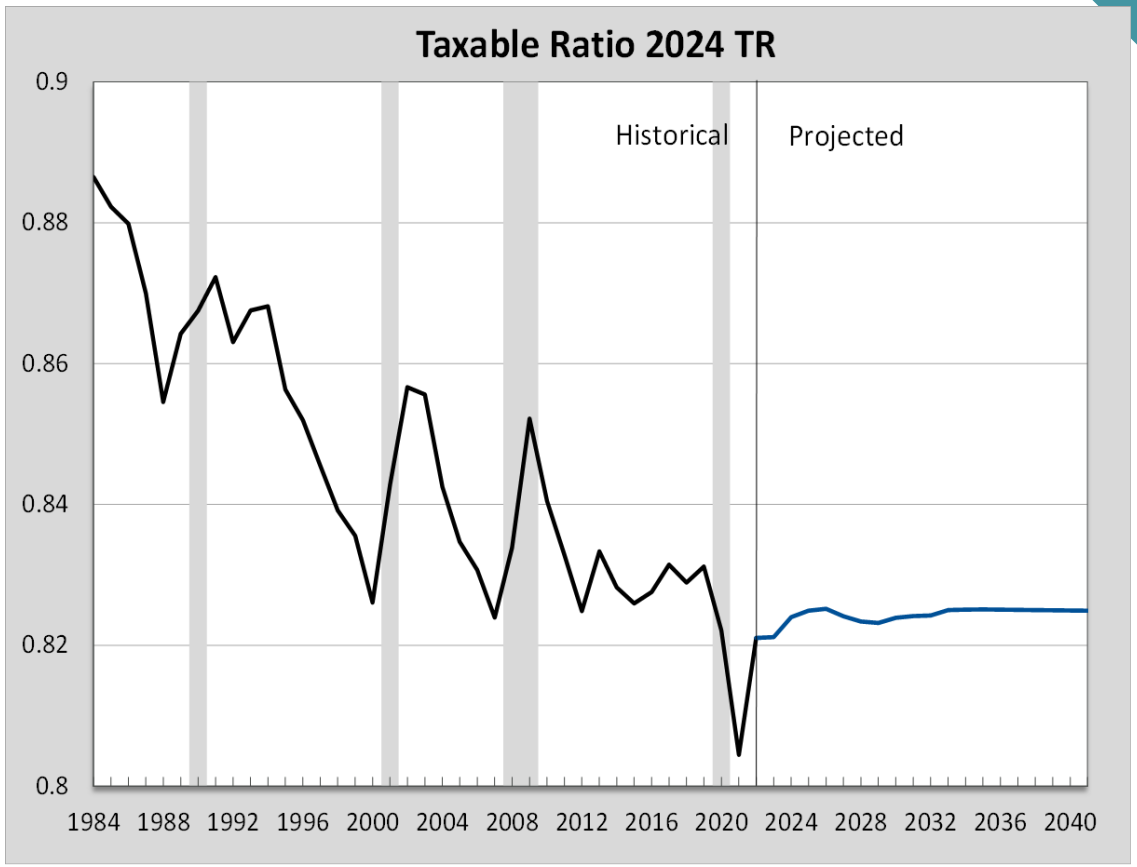


Why the Shortfall?

(1) Expected change in age distribution due to lower birth rates

(2) Unexpected drop in share of earnings that are taxable





How to Eliminate Social Security's Long-Term Actuarial Deficit

- Make choices addressing OASDI shortfall 2035-2098:
  - Raise scheduled revenue by 2035 by about one-third
  - Reduce scheduled benefits by 2035 by about one-fourth
  - Or some combination of the two
- This is your job today!

Payroll Tax Contribution Rates for the OASDI Programs

- Employees in covered employment, and their employers, each pay 6.2 percent of the employee's taxable earnings (12.4 percent is the combined rate)
- Self-employed individuals pay the full 12.4 percent
- Could simply increase these tax rates: *see Policy Options 2a and 2b in the handout*

Contribution and Benefit Base

- This is an annual dollar amount above which earnings in employment covered under the OASDI program are neither taxable nor creditable for benefit computation purposes; sometimes called “the taxable earnings cap”
- $168,600 for calendar year 2024—this means:
  - $10,453.20 is the maximum Social Security tax a person in covered employment, and their employer, will pay in 2024
  - The maximum amount of earnings for 2024 that can be used in the Social Security benefit calculation is $168,600
- This is an *average-wage-indexed* amount

Contribution and Benefit Base Proposals

- Could eliminate the “cap” completely, and either
  - Count the additional earnings toward benefits …
  - … or not!
- Raise the “cap” so that it reaches a certain taxable ratio by a certain year
  - For example, raise the contribution and benefit base until 90% of all covered earnings are taxable
  - As a reference, a base of roughly $350,000 would mean that 90% of covered earnings are taxable in 2024
- *See Policy Options 1a and 1b in the handout*

Social Security Retirement Age

- At full retirement age, also called “normal retirement age” or NRA, the full basic Social Security benefit is paid (Primary Insurance Amount or PIA):
- For individuals age 62 in 2024, the NRA is 67
  - Can file to start retirement benefits as early as 62 in 2024 with a 30% reduction of the “full” benefit (PIA); age 62 is called the earliest eligibility age or EEA
  - Can file to start retirement benefits at age 70 or later with a 24% benefit increase, 8% per year of delay in starting benefits
  - Those benefit reductions/increases are permanent, with annual cost of living adjustments

Implications of Raising NRA

- Raising the NRA:
  - If no change in an individual's age at retirement, then monthly benefits are reduced
  - Would have to delay start of benefits by the amount of the increase in the NRA to get the same monthly benefit
  - Would extend/increase payments made by Disability Insurance Trust Fund, and would lead to additional applications for (unreduced) disability benefits

Implications of Raising NRA (continued)

- Workers (in general) are living longer, healthier lives
  - Many workers are able to remain longer in the workforce
  - Workers will need more time to save for a longer retirement
- Possible difficulties
  - Will workers want to remain longer in the labor force?
  - Will more jobs be available for older workers?
  - Will older workers in strenuous jobs be adversely affected—not quite meeting disability status per Social Security standards?
- *See Policy Options 3a and 3b in the handout*

Benefit Indexing

- The amount of a worker's monthly Social Security benefit is based on the worker's lifetime earnings, which are averaged and wage indexed
- Each year's earnings are adjusted upward to keep pace with changes in the average wage level
- Thus reflecting improvements in productivity and the general standard of living (more than just price increases) during the individual's working years

Adjusting Benefit Indexing for Higher Earners

- One option is to reduce growth in benefits for higher earners (in generations in the future) to rise by less than the average wage increase provided in current law
- Because prices generally rise more slowly than wages, price indexing would result in lower retirement benefits
- Benefits for relatively higher earners in the future would be indexed from one generation to the next by something between wage and price increases, and benefits for individuals with lifetime taxable earnings at or above the contribution and benefit base ($168,600) would be indexed to prices alone
- This is sometimes called ***progressive price indexing***
- *See Policy Options 4a and 4b in the handout*

Cost-of-Living Adjustments

- Since 1975, Social Security's general benefit increases have been based on increases in the prices of goods and services experienced by urban wage and salary workers, as measured by the Consumer Price Index (CPI)
- These cost-of-living adjustments, or COLAs, are effective for December benefits, payable in January
- Benefits keep pace with inflation

Chain-Weighted CPI (C-CPI-U)

- Based on idea that consumers will tend to shift consumption toward categories of goods and services with smaller price increases, even though the categories are not substitutes for each other ("higher-level redistribution")
- Lower-level vs. higher-level redistribution
- By age 85, benefits would be about 6.5% lower
- OCACT estimates C-CPI-U would reduce the annual COLA by 0.3 percentage point, on average
- *See Policy Option 5a in the handout*

CPI for the Elderly (CPI-E)

- Basket of goods and services for those age 62+
- Certain expenditure groups, such as medical care and housing, are given greater weight
- By age 85, benefits would be about 4.6% higher
- OCACT estimates CPI-E would increase the annual COLA by 0.2 percentage point, on average
- *See Policy Option 5b in the handout*

Special Minimum Benefit

- The special minimum benefit is a special minimum primary insurance amount (PIA) enacted in 1972 to provide adequate benefits to long-term low earners. The first full special minimum PIA in 1973 was $170 per month. Beginning in 1979, its value has increased with price growth and is about $1,067 per month in 2024 for a worker with 30 years of coverage.
- Virtually no one is receiving this benefit today, because benefit levels are designed to increase with average wages (not prices) across generations

Increase the Special Minimum Benefit

- One option is to increase Social Security's special minimum benefit to pay 125% of the poverty level for 2024 at full retirement age for someone who has worked 30 years or more.
- The poverty level is currently $15,060 a year for one person, so the new full special minimum PIA would be about $1,569, almost 50% higher than under current law
- The initial special minimum PIA level would be wage-indexed across generations going forward
- Targets benefit increases for lower wage workers
- *See Policy Option 6 in the handout*

Extend Student Benefits

- Extend student benefits until age 22 for children of deceased or disabled workers if the child is a full-time student in college or vocational school
- Currently, a “student beneficiary” refers to an 18-year-old child of a retired, disabled, or deceased worker who is enrolled in secondary school or below
- From 1965 through 1981, these benefits continued until age 22 if the child was a full-time student in college or vocational school
- *See Policy Option 7 in the handout*

Increase All Benefits

- One option is to increase the monthly benefit amount for all beneficiaries now and in the future by 5% of the average Social Security benefit
  - 5% of the average benefit would be about $94 a month in 2024
  - Same dollar increase for all beneficiaries, which would increase in the future by about the increase in average wage
- *See Policy Option 8 in the handout*

Increase Benefits for Older Beneficiaries

- Another option is to increase the monthly benefit amount for all beneficiaries aged 85 and older now and in the future by 5% of the average retired worker benefit
  - 5% of the average retired worker benefit would be about $96 a month in 2024
  - Same dollar increase for all beneficiaries 85+, which would increase in the future by about the increase in average wage
  - Older ages targeted due to higher risk of inadequate benefit levels
  - Further insurance against longevity
- *See Policy Option 9 in the handout*

Caregiver Credits

- Provide Social Security earnings credits for up to 5 years to parents with young children under 6 years of age
  - The amount of the earnings credit would be up to one-half of the Social Security Average Wage ($31,898 in 2022)—that is, “topping up” earnings to that level if less
  - Under current law, retired worker benefits are calculated using highest 35 years of earnings
  - Would replace as many as the 5 lowest earning years in which the worker has a child under age 6
- *See Policy Option 10 in the handout*

Putting it all together…

- Each table has 30 minutes to come up with a package of options that will eliminate (or at least narrow) Social Security's long-term financing gap
- Review the handouts, and discuss pros and cons at your table
- Assume the percent effects are additive (although this is not strictly true!)
- We will be serving as table experts and are here to help
- Be prepared to present your solutions to the whole group—we will call on tables to briefly share your ideas and rationales

Example

Option No.	Description	Percent of financing gap closed
1b	Taxable Earnings Cap – completely eliminate	57%
3a	Retirement Age – gradually raise from 67 to 68	15%
4a	Benefit Indexing – reduce benefit calculation for those with earnings above the 30th percentile	44%
5b	COLA – increase the COLA by using the CPI-E	-12%
	TOTAL:	**104%**

Good luck!

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www.ssa.gov/oact/

Demystifying Medicare

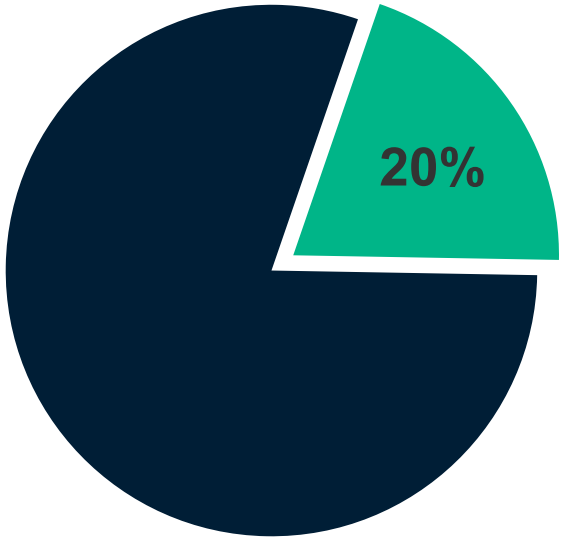
Tricia Neuman, ScD
Senior Vice President
Executive Director
Program on Medicare Policy
KFF (formerly Kaiser Family Foundation)

For the National Academy of Social Insurance Summer Intern Academy

July 18, 2024

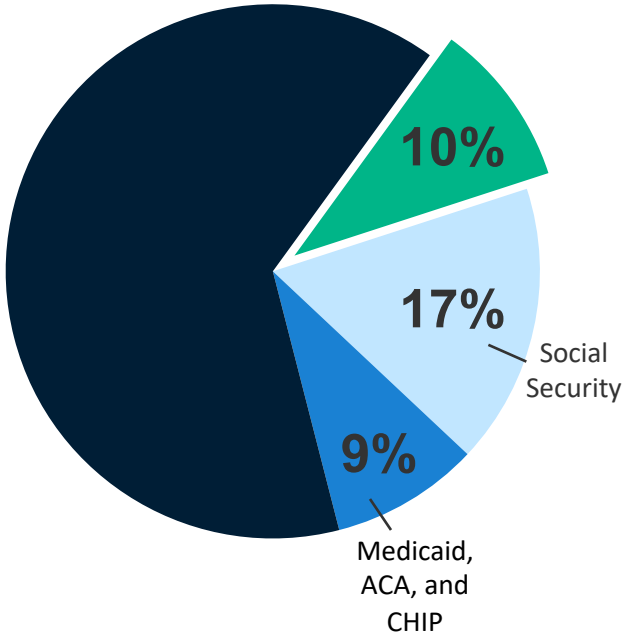
Medicare Overview

Medicare Beneficiaries: 20% of U.S. Population



Total Beneficiaries, 2021: ***65 million***

Medicare: 10% of the Federal Budget

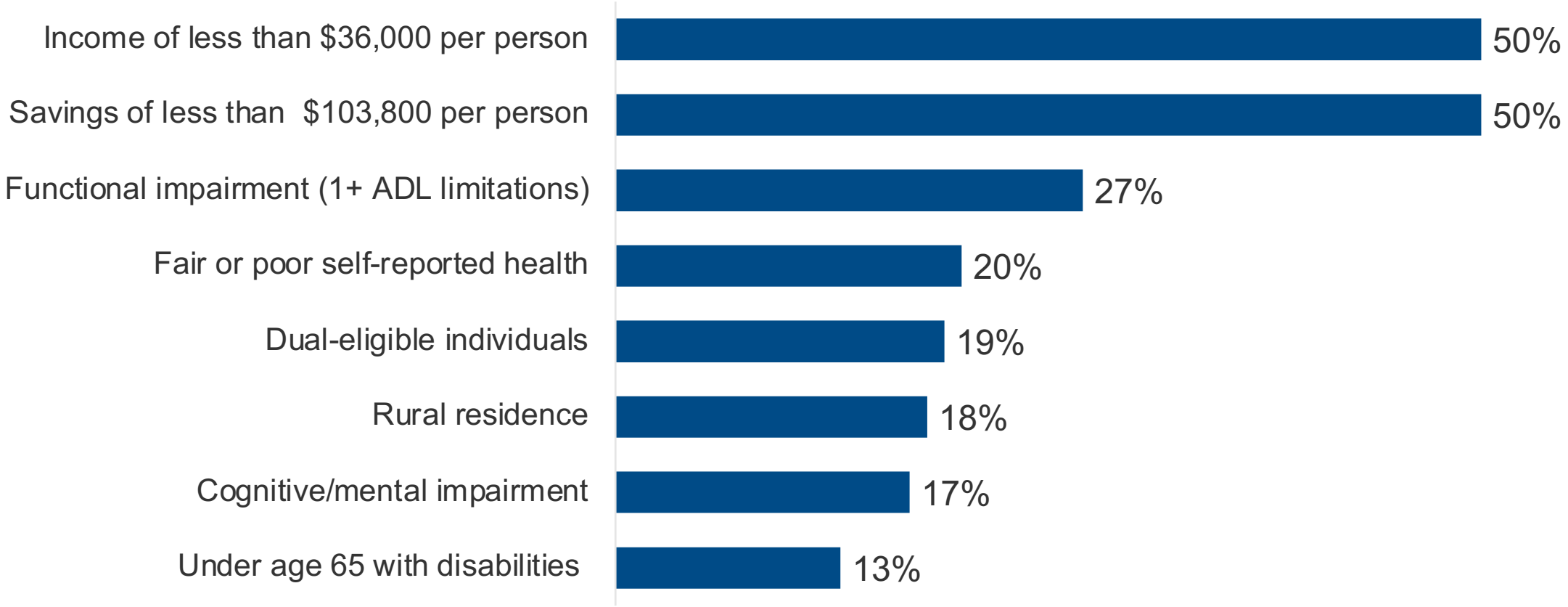


Net Federal Medicare Outlays, 2021: ***$689 billion***

- Covers more than **65 million** people, ages 65+ & younger adults with permanent disabilities
- A social insurance program, with defined benefits, financed by payroll taxes, premiums and general revenues
- Accounted in 2021 for:
  - **21%** of total national health spending
  - **26%** of hospital spending
  - **26%** of physician and clinical spending
  - **32%** of retail prescription drug sales
- Medicare enjoys broad public support, viewed favorably by a majority (**81%**) of adults

Source: KFF, "What to Know About Medicare Spending and Financing," January 2023; KFF Health Tracking Poll (March 14-23, 2023).

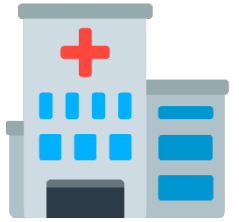
Some on Medicare Enjoy Good Health, but Many Have Significant Health Impairments and Limited Financial Resources



Source: KFF, “Income and Assets of Medicare Beneficiaries in 2023,” February 2024; KFF analysis of CMS Medicare Current Beneficiary Survey, 2021 Survey File.

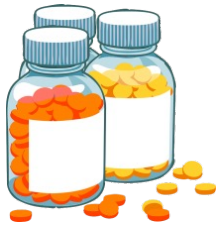
The A, B, C and D's of Medicare

- **Part A** covers inpatient hospital care, skilled nursing facility care, hospice care, and some home health services – subject to a deductible (financed primarily by payroll taxes paid by employees and employers; typically no premium; deductible of $1,632 per benefit period in 2024 with and various copayments)



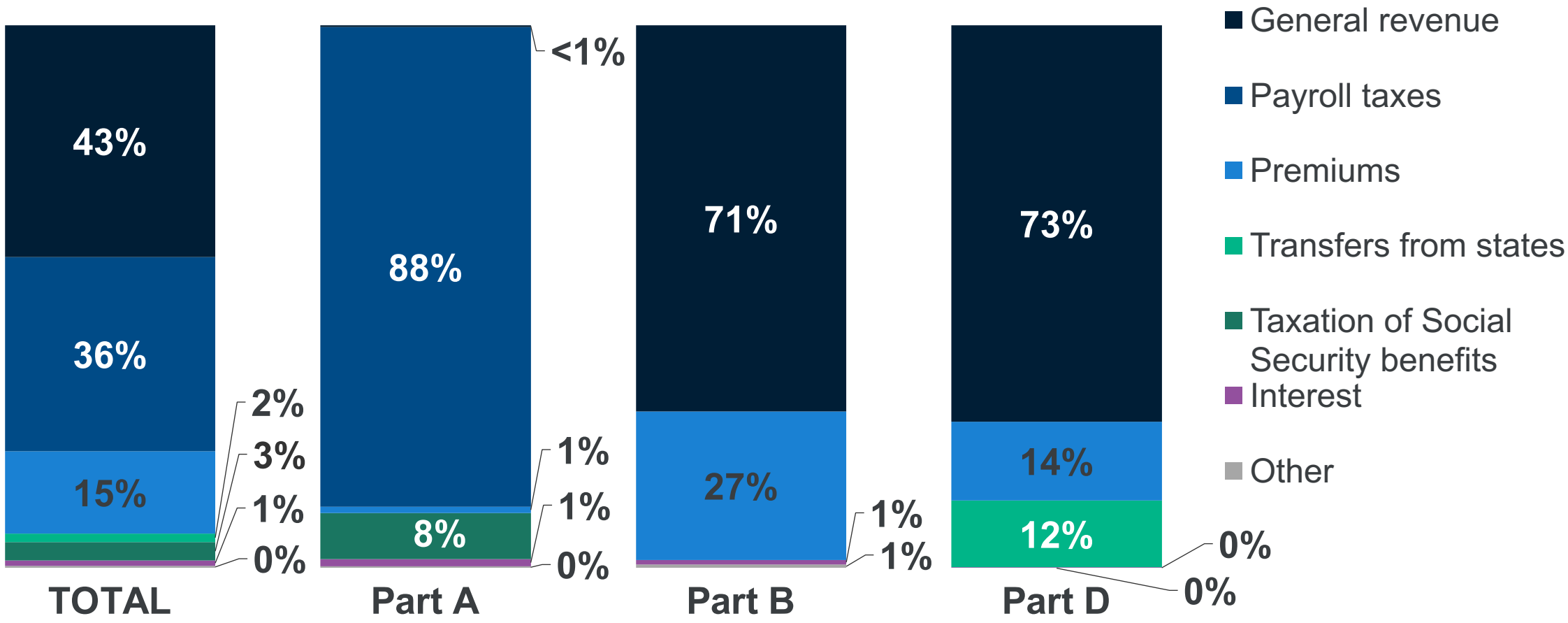
- **Part B** covers physician services, outpatient hospital care, preventive services, diagnostic procedures & durable medical equipment, drugs administered by physicians (standard monthly premiums are $174.70, increases with income; 20% coinsurance for covered services)

- **Part C** Includes Medicare Advantage plans, mainly HMOs and PPOs, offered by private insurers that receive payments from Medicare to provide Medicare benefits (A, B and often D)



- **Part D** covers prescription drugs provided by private plans that contract with Medicare, including stand-alone prescription drug plans and Medicare Advantage plans. Premiums vary across plans. The average unweighted premium will be an estimated $35/month in 2024

How Medicare is Financed



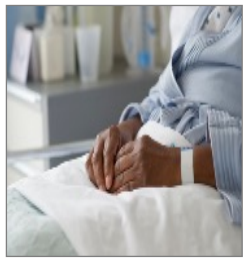
Source: KFF analysis of Medicare spending data from the Annual Report of the Board of Trustees of the Federal Hospital Insurance and Federal Supplementary Medical Insurance Trust Funds (Table II.B1), March 2024.

Traditional Medicare Provides Coverage of Medical Benefits, but Gaps in Coverage Expose Beneficiaries to High Out of Pocket Costs

No out-of-pocket cap on cost-sharing for benefits covered under Medicare Parts A and B*

Does not cover hearing aids, routine eye exams or eyeglasses

Limited premium and cost-sharing assistance for low-income Medicare beneficiaries
(Subject to asset test)



Long-term services and supports – very limited coverage
Average annual cost of semi-private room in nursing home, 2023: $104,025

Dental services are not generally covered
Medicare may cover medically necessary dental services under specific clinical scenarios, such as prior to organ transplant surgery or treatment of head or neck cancers

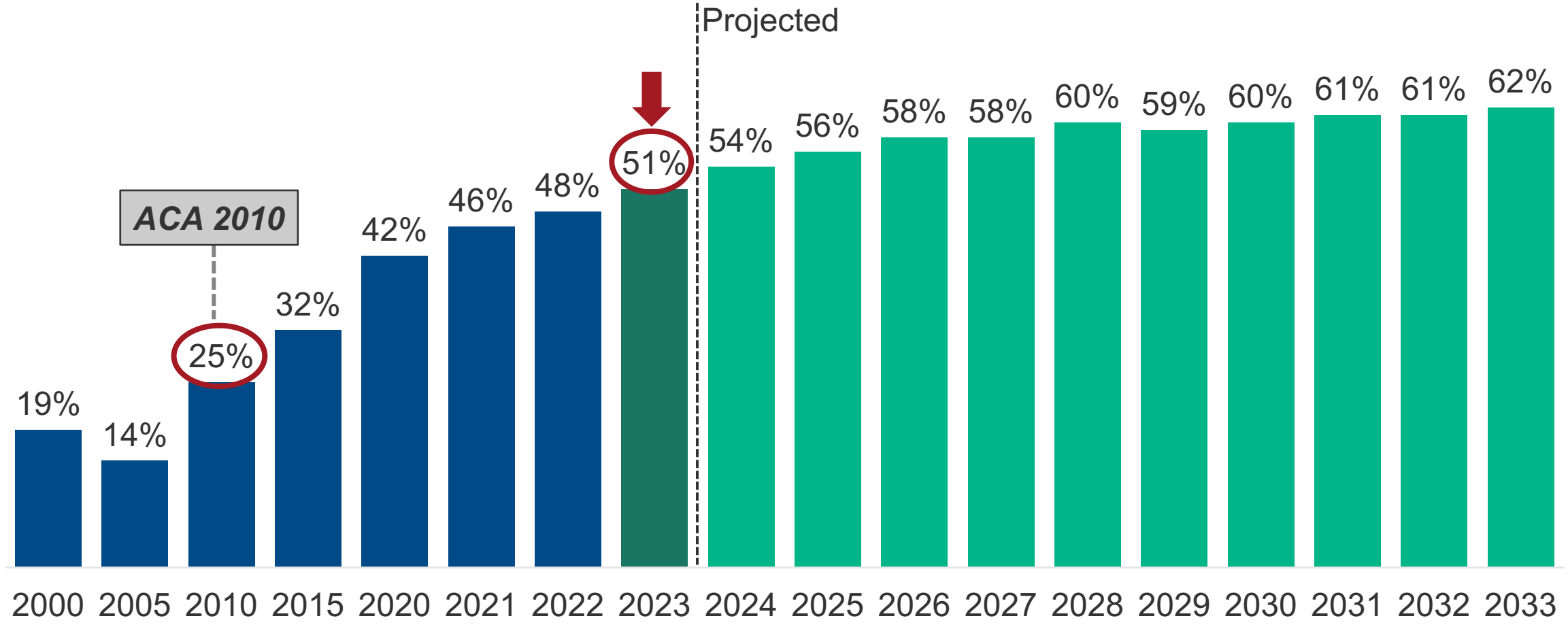
Medicare Advantage: The Expanding Role of Private Plans in Medicare

What is Medicare Advantage?

- Medicare Advantage plans, mainly HMOs and PPOs, are offered by private health insurance companies, as an alternative to traditional Medicare
  - Now accounts for 54% of total Medicare spending, which has implications for Medicare spending generally, the solvency of the Part A Trust Fund and Part B premiums
- The federal government (Medicare) pays plans a fixed amount per enrollee to provide all Medicare-covered services
  - MedPAC estimates payments per enrollee are 22% higher on average than payments for similar beneficiaries in traditional Medicare
- Payments to plans are adjusted for the health status of enrollees and other factors
  - Plans submit bids to provide Medicare-covered services to the federal government
  - If bids are below the local "benchmark" plans keep a portion of the difference ("rebates") and are required to use a portion of these funds to provide extra benefits – as most do
  - Payments to plans are adjusted for health risk and other factors
- Medicare Advantage plans use a variety of tools to control costs, such as prior authorization requirements and provider networks

Source: KFF analysis of data from the Annual Report of the Boards of Trustees of the Federal Hospital Insurance and Federal Supplementary Medical Insurance Trust Funds (Table IV.A3, Table IV.B6), March 2024.

More Than Half of Eligible Medicare Beneficiaries Were Enrolled in Medicare Advantage in 2023



Source: KFF, “Medicare Advantage in 2023: Enrollment Update and Key Trends,” August 2023.

10 Reasons Why Medicare Advantage Enrollment May Rise Even Faster than Projected

1. **Medicare Advantage plans offer extra benefits** such as dental, vision, etc.
2. Most Medicare Advantage enrollees pay **no supplemental premiums**
3. Annual **out-of-pocket limit** in Medicare Advantage but not in traditional Medicare
4. The convenience and **simplicity of one-stop shopping**
5. **Aggressive marketing** by Medicare Advantage health insurers
6. **Broker commission structure** rewards Medicare Advantage sales
7. Employers are shifting Medicare-age **retirees to Medicare Advantage**
8. **No guaranteed issue protections for Medigap**
9. **Higher and rising Part D premiums** for stand-alone Medicare drug plans
10. Beneficiaries **not well informed about the tradeoffs**

Source: KFF, “10 Reasons Why Medicare Advantage Enrollment is Growing and Why It Matters,” January 2024.

Medicare Advantage: Tradeoffs for Beneficiaries

- **More prior authorization requests and denials than traditional Medicare**
  - 35 million prior authorization requests submitted in 2021
  - 2 million requests were denied (no data on denials by type of service or by plan)
- **Narrower networks** of physicians, hospitals and post-acute providers than traditional Medicare
  - Changes in provider networks can disrupt care arrangements
- **Potential for higher out-of-pocket costs** than traditional Medicare (with Medigap)
- **No guaranteed issue protections for Medigap** in most states for people who choose to switch from Medicare Advantage to traditional Medicare

Source: KFF, “Over 35 Million Prior Authorization Requests Were Submitted to Medicare Advantage Insurers in 2021,” February 2023.

Medicare Advantage is Not Designed to Provide Savings to the Federal Government

- On average, Medicare Advantage plans cover Medicare services for **101%** of spending for similar beneficiaries in traditional Medicare, once the effects of favorable selection and higher coding intensity in Medicare Advantage are accounted for.

- Medicare Advantage plans retain more than **$2,300** per person above the costs of Part A and Part B service, and use it to lower cost-sharing, pay for extra benefits, and reduce premiums (as well as add to their profits).

- Medicare Advantage plans receive a payment per enrollee equal to **122%** of Medicare spending for similar beneficiaries in traditional Medicare, on average.

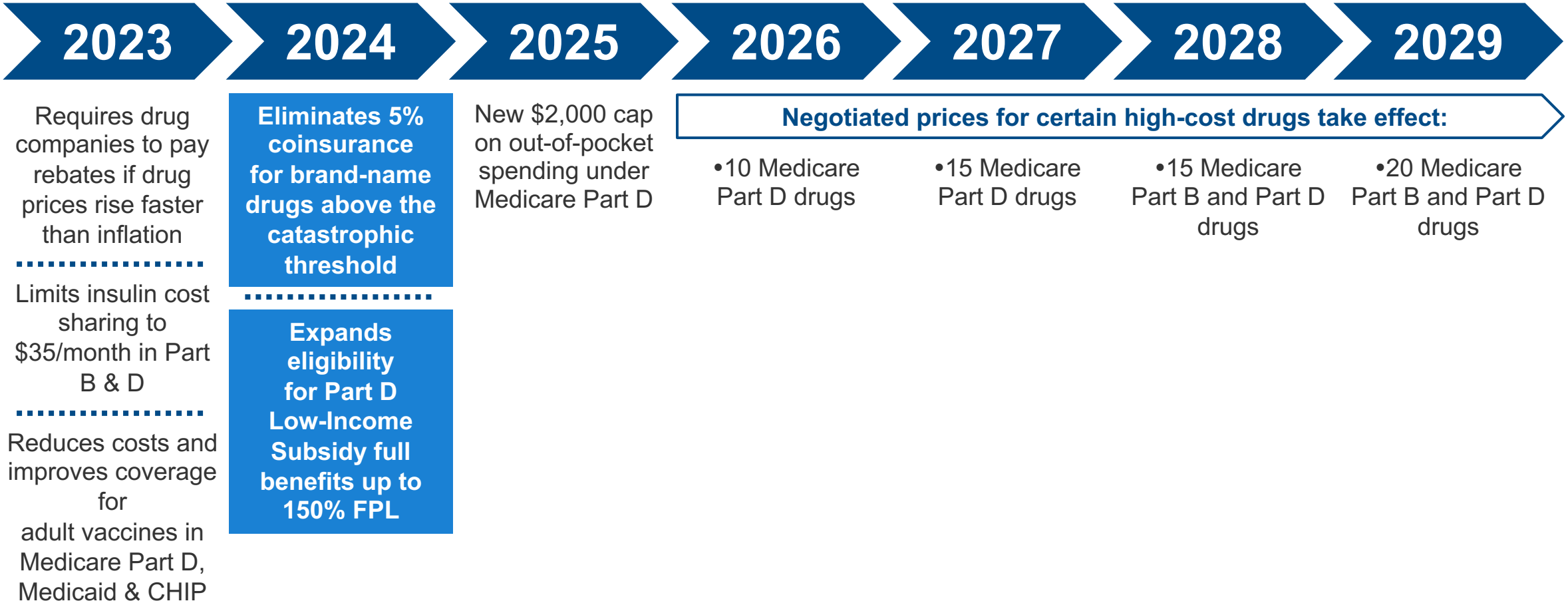
Source: MedPAC, “Report to the Congress: Medicare Payment Policy,” March 2024.

Inflation Reduction Act: Medicare Prescription Drug Coverage and Costs

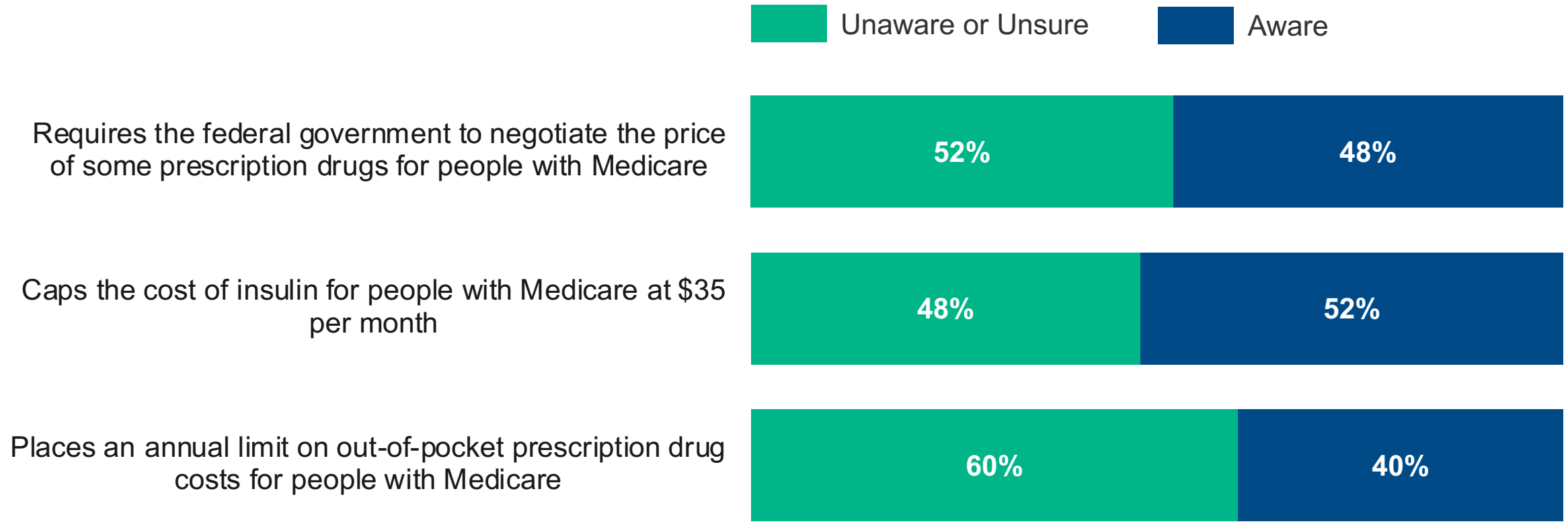
Key Prescription Drug Provisions in the Inflation Reduction Act

- Requires (for the first time) the **federal government to negotiate Medicare prices** for some top-selling drugs (Parts B and D)
- Requires drug companies to pay **rebates if prices rise faster than inflation** for drugs used by Medicare beneficiaries
- Modifies the Medicare Part D benefit design: **eliminates 5% coinsurance** for catastrophic coverage in 2024, **caps out-of-pocket spending at $2,000 in 2025**, and limits annual increases in Part D premiums for 2024-2030
- Limits monthly cost sharing for **insulin products to $35** for people with Medicare
- **Expands eligibility** for **Medicare Part D Low-Income Subsidy** full benefits
- **Eliminates cost sharing for adult vaccines** covered under Medicare Part D and improves access to adult vaccines under Medicaid and CHIP

Timeline for Implementing the Medicare Prescription Drug Provisions



Many Older Voters Are Unaware of Popular Medicare Prescription Drug Provisions in the Inflation Reduction Act



Note: Among registered voters ages 65 and older.
Source: KFF Health Tracking Poll (April 23 - May 1, 2024).

What's the Current State of Play?

CMS named 10 drugs subject to price negotiations (9/1/23)

- **Eliquis** (blood thinner)
- **Jardiance** (diabetes, heart failure)
- **Xarelto** (blood thinner)
- **Januvia** (diabetes)
- **Farxiga** (diabetes, heart failure, kidney)
- **Entresto** (heart failure)
- **Enbrel** (Rheumatoid arthritis, psoriasis, psoriatic arthritis)
- **Imbruvica** (blood cancers)
- **Stelara** (psoriasis, Crohn's)
- **Fiasp/NovoLog** (diabetes)

Negotiations between CMS and drug manufacturers commence thru 8/1/24

CMS and drug manufactures signed agreement to proceed with negotiations (10/2/23)

CMS sent initial price offers to each manufacturer for the 10 selected drugs, kicking off negotiation process (2/1/24)

All drug manufacturers rejected the initial CMS price offer and counteroffered (3/4/24)

Negotiations will continue through August 1, 2024

Secretary announces prices 9/1/2024

Meanwhile…several lawsuits have been filed against HHS

Sided with HHS; Appealed by Plaintiffs

PhRMA 5th Circuit, *awaiting decision*
BMS (Eliquis) 3rd circuit
J&J Janssen (Xarelto) 3rd circuit
AstraZeneca (Farxiga) 3rd circuit

Sided with HHS

Boehringer (Jardiance) ***decided 7/9/24,*** *has not yet appealed*

Summary Judgement Pending

Merck (Januvia)
Novartis (Entresto)
Novo Nordisk (Fiasp/Novlog)
Chamber of Commerce *(also considering motion to dismiss)*

Future Outlook: Issues to Watch

Challenges and Issues for the Future

- Implementation of the Inflation Reduction Act
- Benefit improvements
- Medicare Advantage payment policy
- Setting fair payments to hospitals, physicians and other providers
- Leveraging higher quality (e.g., skilled nursing facilities)
- Financing and solvency
- Future of Traditional Medicare

THANK YOU!

For more information about Medicare, visit https://www.kff.org/medicare/

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FIGHTING SENIOR POVERTY THROUGH LAW

Demystifying Medicaid

Summer Intern Academy
National Academy of Social Insurance

Natalie Kean, Director of Federal Health Advocacy

July 18, 2024

JUSTICE IN AGING

FIGHTING SENIOR POVERTY THROUGH LAW

Justice in Aging is a national organization that uses the power of law to fight senior poverty by securing access to affordable health care, economic security, and the courts for older adults with limited resources.

Since 1972 we've focused our efforts primarily on fighting for people who have been marginalized and excluded from justice, such as women, people of color, LGBTQ+ individuals, and people with limited English proficiency.

Justice in Aging's Commitment to Advancing Equity

To achieve Justice in Aging, we must:

- Advance equity for low-income older adults in economic security, health care, housing, and elder justice initiatives.
- Address the enduring harms and inequities caused by systemic racism and other forms of discrimination that uniquely impact low-income older adults in marginalized communities.
- Recruit, support, and retain a diverse staff and board, including race, ethnicity, gender, gender identity and presentation, sexual orientation, disability, age, and economic class.

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Medicaid Basics

- Medicaid is not Medicare
  - Enacted in 1965; same year as Medicare
  - Title 19 of the Social Security Act
- Medicaid eligibility depends on financial need
- Medicaid is an entitlement
  - Generally, no enrollment caps (exception is home- and community based services); if you're eligible, you get coverage

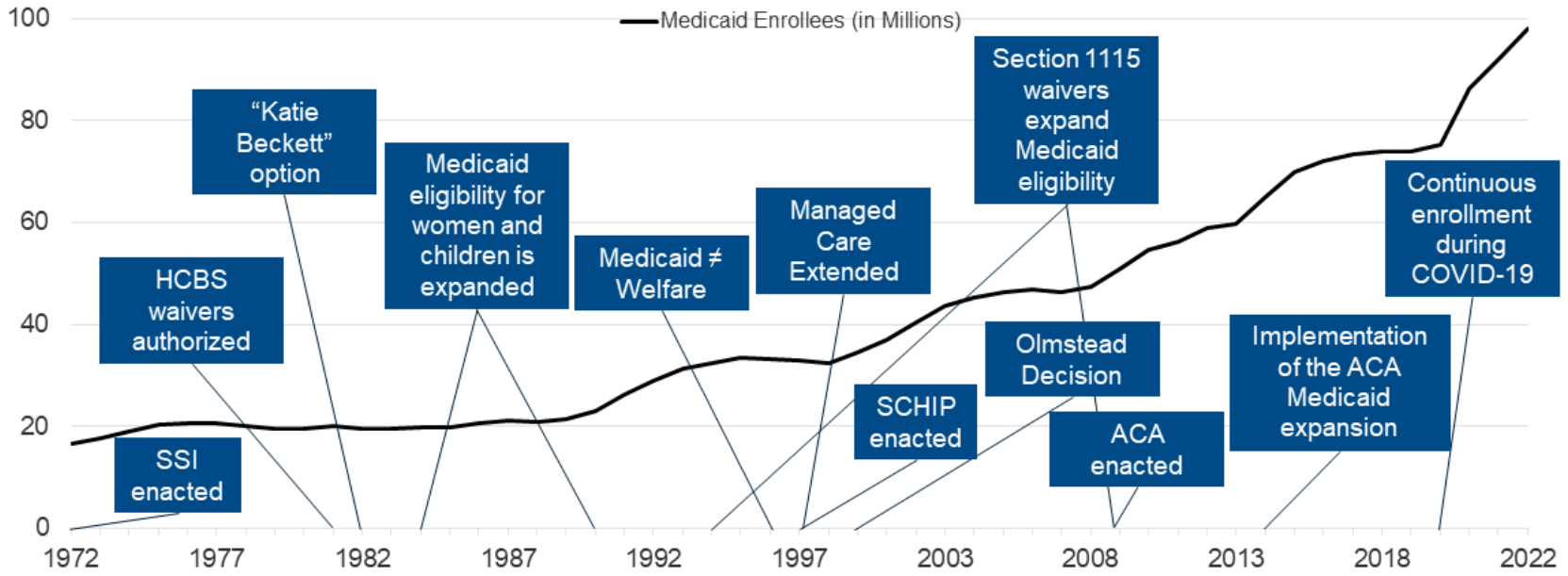
Medicaid Programs Vary Significantly from State to State

- Medicaid is a joint federal/state program
- Federal law and policies lay out basic requirements
- States have significant flexibility to administer their programs:
  - Set eligibility criteria
  - Design benefit packages
  - Waive some federal laws and rules (with CMS approval)
  - Contract with private insurance companies to provide services through managed care plans
- Result: Complexity within and across states

Figure 3

Medicaid's Evolution

Millions of Medicaid Enrollees



Source: Medicaid and CHIP Payment and Access Commission (MACPAC), MACStats: Medicaid and CHIP Data Book 2022

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Who Does Medicaid Cover?

- Medicaid covers ~80 million individuals
  - About 1 in 5 people nationwide, ranging from 11% to 34% of the population across states
  - Sharp increase in adult enrollment in Medicaid during pandemic; now falling
- Including
  - 39% of children
  - 41% of births
  - 43% of people with disabilities
  - 7.2 million adults age 65+
  - 1 in 5 Medicare beneficiaries also have Medicaid
  - 6 in 10 nursing home residents

Medicaid Coverage Populations

- States must cover these groups:
  - Children (many covered under CHIP)
  - People who are pregnant
  - Certain parents or caretakers
  - Persons with disabilities
  - Older adults (65 and over)
  - Medicare Buy-In Groups (pays Medicare premiums)
- States have the option to cover these groups:
  - Medicaid Expansion to adults ages 18 to 64 under the Affordable Care Act (41 states)
  - Medically Needy with a share of cost (44 states)
  - Working people with disabilities (48 states)
  - Katie Beckett Children with Significant Disabilities (44 states)
- Each group has different financial and other eligibility criteria

Spotlight on Dual Eligibility

- Individuals dually enrolled in Medicare and Medicaid
- Includes both people age 65+ and people under Age of 65 who qualified for Medicare due to disability
- Two types of dual eligibility:
  - Full duals—individuals who are eligible for full Medicaid benefits (e.g., long-term care)
    - ~9 million individuals are full duals
  - Partial duals—individuals who are eligible for a Medicare Savings Program only (i.e., Medicaid pays Medicare premiums and sometimes cost-sharing)
    - ~3.4 million individuals are partial duals

Common Characteristics of Dual Eligible Enrollees

- All people dually eligible have low incomes, modest savings, limited financial resources:
  - 87% had an income of $20,000 or less (2020)
  - Some at one time had more financial resources but spent their income and savings on long-term care
  - Some with lifelong disabilities who have faced employment challenges
- Most have chronic conditions
  - 63% have 3 or more chronic conditions
- More racially and ethnically diverse than the general Medicare population:
  - 49% of Medicare-Medicaid enrollees are people of color

Source: KFF, A Profile of Medicare-Medicaid Enrollees (Dual Eligibles), 2023

What does Medicaid cover?
Required Benefits*

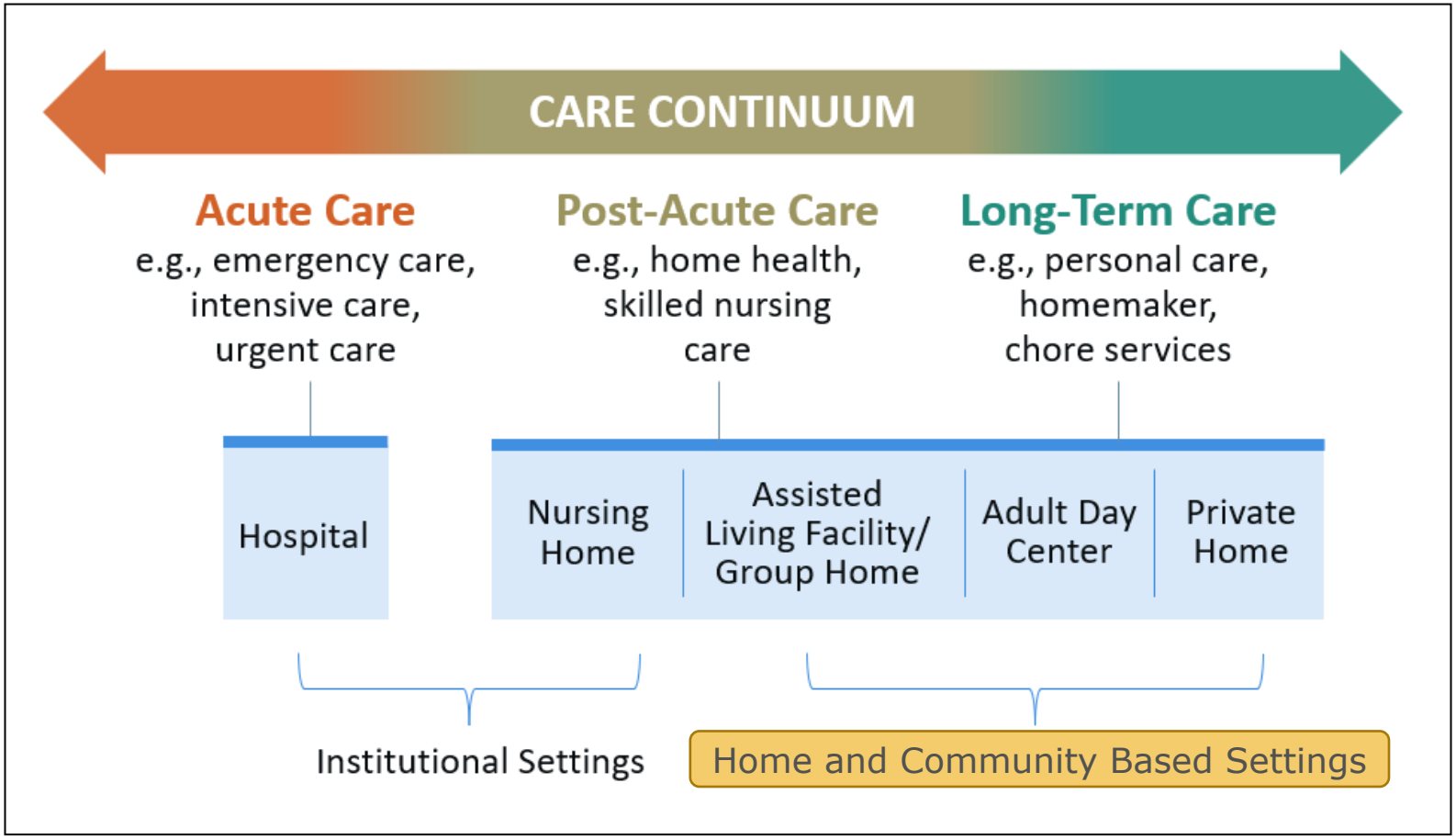
- Physician services
- Hospital services (inpatient and outpatient)
- Nursing facility services
- Laboratory and x-ray services
- Home health services
- Transportation to medical services (including non-emergency)
- Medication Assisted Treatment (MAT)
- Early & Periodic Screening, Diagnostic, and Treatment (EPSDT) benefit for children
- Family planning services

Optional Medicaid Benefits*

- Prescription drugs
- Physical, occupational, speech therapy
- Dental
- Vision
- Prosthetics
- Hospice
- Home and Community Based Services (HCBS)
- Personal care
- Private duty nursing
- Case management

*Examples. See the Full list of mandatory & optional services

Spotlight: Long-Term Care (a.k.a. Long-Term Services & Supports (LTSS))



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Source: Congressional Research Service, Long-Term Services and Supports (LTSS): Overview and Issues for Congress, 2023

Medicaid's Role in LTSS

- Medicaid is the primary payer for LTSS, including both nursing facility services and home- and community-based services (HCBS)
- Most people who need LTSS want to remain in their own homes.
- But, because federal law does not require states to cover HCBS (it is an optional benefit), there are significant gaps in access to services:
  - Caps on enrollment leading to waiting lists and unnecessary institutionalization
  - Inequities by population, across and within states, based on race

Financial Eligibility

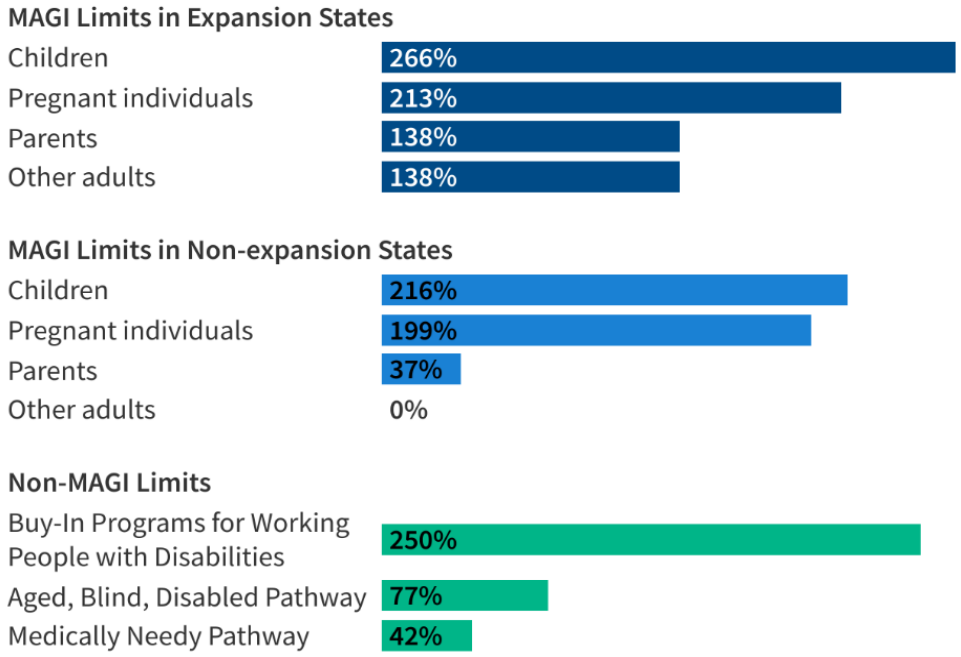
Two ways to determine financial eligibility:

- Modified Adjusted Gross Income (MAGI)
  - No asset limit
  - Applies to children, pregnant individuals, parents, non-disabled adults under age 65 (Medicaid expansion)
- Non-MAGI
  - Typically limits both income and assets
  - Applies to people age 65+, people with disabilities, people with a share of cost (Medically needy)

Figure 6

Median Medicaid Income Eligibility Limits

Eligibility Limits Are Represented as % FPL



Note: FPL = federal poverty level, MAGI = Modified Adjusted Gross Income. MAGI eligibility levels are based on a family of three for parents and an individual for childless adults in 2023. Non-MAGI eligibility levels are based on individuals in 2022.

Source: KFF, "Medicaid and CHIP Eligibility, Enrollment, and Renewal Policies as States Prepare for the Unwinding of the Pandemic-Era, Continuous Enrollment Provision," April 2023, "Medicaid Financial Eligibility in Pathways Based on Old Age or Disability in 2022: Findings from a 50-State Survey," July 2022

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Spotlight: Aged & Disabled Eligibility

- Historically connected to Supplemental Security Income (SSI) eligibility
  - Limits: $943/month income in 2024 (77% FPL) and $2,000 assets
- Most SSI recipients automatically eligible for Medicaid
  - 8 states, known as "209(b)" states, use different criteria that cannot be more restrictive than rules states had in 1972
- States can use higher income and asset limits
  - 9 states income limits between 75% - 99% FPL
  - 19 states have 100% FPL income limit
    - Disregards can expand higher, e.g. California and New York cover up to 138% FPL
  - 12 states have an asset limit over SSI's $2,000 limit
    - California eliminated its asset test entirely
  - Most states also have higher income limits for long-term services and supports (LTSS)

Source: Medicaid Financial Eligibility in Pathways Based on Old Age or Disability in 2022: Findings from a 50-State Survey | KFF

Resources

- Medicaid 101 | KFF
- Medicaid Home and Community Based Services for Older Adults with Disabilities: A Primer | Justice in Aging
- Trainings on Medicaid and Dual Eligibility | NCLER

More on Medicare, Medicaid, and Social Security:

- Justice in Aging: www.justiceinaging.org
- National Center on Law and Elder Rights: www.ncler.acl.gov

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