MEDICARE
Will it be there when we need it???

Tom Dean MD
Carleton Reunion
June 15, 2012

Medicare Payment Advisory Commission (MedPAC)

- Independent congressional agency established by the Balanced Budget Act of 1997 to advise the US Congress on issues affecting the Medicare program
- 15 Members plus chair and vice chair – appointed by the Comptroller General
- 5 Physicians, 3 Researchers, Nurse/Academic, 4 Administrators, 2 Health System Execs, Actuary, Ex Congressman
- Two mandated reports to Congress per yr.
U.S. Health Care System
Problems We Face


Health Expenditures as a Percent of GDP

Feinberg, H  NEJM  March 15,  2012
International Comparison of Spending on Health, 1980–2009

Average spending on health per capita ($US PPP*)

Total expenditures on health as percent of GDP

* PPP=Purchasing Power Parity.

Source: Commonwealth Fund National Scorecard on U.S. Health System Performance, 2011.

CONCENTRATION OF HEALTH SPENDING (2009)

Note: Dollar amounts in parentheses are the annual expenses per person in each percentile. Population is the civilian noninstitutionalized population, including those without any health care spending. Health care spending is total payments from all sources (including direct payments from individuals and families, private insurance, Medicare, Medicaid, and miscellaneous other sources) to hospitals, physicians, other providers (including dental care), and pharmacies; health insurance premiums are not included.

Health Insurance Premiums, Workers’ Contributions, Inflation, and Workers’ Earnings, 2000-2010

Notes: Health insurance premiums and worker contributions are for family premiums based on a family of four.


Feinberg, H. NEJM March 15, 2012
MORTALITY AMENABLE TO HEALTH CARE
DEATHS FROM CONDITIONS WHICH RESPOND TO MEDICAL CARE
(Commonwealth Fund)

Mortality Amenable to Health Care, 1997–98

Mortality Amenable to Health Care, 2002–03

MEDICARE
STRUCTURE OF MEDICARE

- **PART A** - HOSPITAL INSURANCE  
  - FINANCED BY TRUST FUND (PAYROLL TAX)

- **PART B** - PHYSICIAN AND OUT-PT PAYMENT  
  - FINANCED BY PREMIUM (25%) AND TREASURY (75%)

- **PART C** - MEDICARE ADVANTAGE  
  - FINANCED BY COMBINATION OF TRUST FUND, TREASURY AND PREMIUMS

- **PART D** - DRUG BENEFIT  
  - FINANCING SAME AS PART B

MEDICARE OPERATES EFFICIENTLY

- MEDICARE ADMINISTRATION / OVERHEAD COSTS ARE 3 – 4 % OF TOTAL BUDGET  
  - 96 CENTS OF EACH DOLLAR GOES TO PURCHASE CARE  
  - COMPARES WITH 80 – 85 CENTS FOR PRIVATE INSURANCE

- MEDICARE PAYS LOWER FEES THAN PRIV INS  
  - EACH DOLLAR INVESTED BUYS MORE CARE

- BOTTOM LINE - MORE DOLLARS GOING FOR CARE AND MORE CARE PURCHASED FOR EACH DOLLAR
Excess Medicare spending experienced growth.

**Medicare Spending Per Capita (Relative to GDP)**

- **White, C. NEJM March 22, 2012**

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**So -- What's the Problem??**

- **More People**
  - Number of beneficiaries projected to climb from current 43 million to 70 million by 2020

- **Fewer Contributors to the Trust Fund**

- **Inefficient and Inflationary Delivery System**
  - No provider incentive for cost control
  - More procedures per beneficiary
  - Unnecessary interventions
    - Estimated by the Institute of Medicine to cost $210 billion / yr
TRUST FUND INSOLVENCY
“MEDICARE IS GOING BROKE!!”

WE HAVE BEEN HERE BEFORE

<table>
<thead>
<tr>
<th>YEAR</th>
<th>PROJECTED INSOLVENCY</th>
<th>YRS TO INSOLVENCY</th>
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<tbody>
<tr>
<td>1970</td>
<td>1972</td>
<td>2</td>
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<td>1975</td>
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<td>1996</td>
<td>2001</td>
<td>5</td>
</tr>
<tr>
<td>2000</td>
<td>2025</td>
<td>25</td>
</tr>
<tr>
<td>2009</td>
<td>2017</td>
<td>8</td>
</tr>
<tr>
<td>2010</td>
<td>2029</td>
<td>19</td>
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<tr>
<td>2011</td>
<td>2024</td>
<td>13</td>
</tr>
<tr>
<td>2012</td>
<td>2024</td>
<td>12</td>
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PREMIUM SUPPORT
THE RYAN – WYDEN PLAN

- CONVERT MEDICARE FROM “DEFINED BENEFIT” TO A “DEFINED CONTRIBUTION PLAN”
- BENEFICIARIES RECEIVE VOUCHERS FOR THE PURCHASE OF PRIVATE HEALTH INSURANCE
- PLANS MUST BE ACTUARILLY EQUIVALENT TO BENEFITS PROVIDED BY TRADITIONAL MEDICARE
- TRADITIONAL MEDICARE WILL BE AN OPTION
- AVAILABLE TO THOSE ELIGIBLE FOR MEDICARE AFTER 1/1/2022
ACA PROVISIONS TO CONTROL MEDICARE EXPENDITURES

- CENTER FOR MEDICARE/MEDICAID INNOVATION
- PATIENT CENTERED OUTCOMES RESEARCH INSTITUTE (PCORI)
- INDEPENDENT PAYMENT ADVISORY BOARD (IPAB)

ACA PROVISIONS TO IMPROVE COORDINATION OF CARE

<table>
<thead>
<tr>
<th>Summary</th>
<th>Patient-Centered Medical Homes ($350B)</th>
<th>Implications</th>
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<tbody>
<tr>
<td>Community-based, interdisciplinary, interprofessional teams</td>
<td>Will drive improved organization of outpatient care</td>
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<tr>
<td>Government to provide grants or enter into contracts with eligible entities</td>
<td>Will fund care coordination and a team-based approach</td>
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<thead>
<tr>
<th>Accountable Care Organizations ($30B)</th>
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<tr>
<td>Shared savings program that encompasses primary care, specialist practices, and hospitals</td>
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<td>Care processes to be redesigned for the efficient delivery of high-quality services</td>
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<tr>
<th>Bundled Payments ($30B)</th>
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<tr>
<td>Pilot program</td>
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<tr>
<th>Redemissions Reduction Program ($30B)</th>
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<tbody>
<tr>
<td>Reduces payments for readmissions</td>
</tr>
<tr>
<td>Applicable to three conditions selected by the secretary of health and human services</td>
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<tr>
<td>An “episode of care” defined as the period from 3 days before admission through 30 days after discharge</td>
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<th>Hospital-Acquired Conditions ($300M)</th>
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<tr>
<td>Payments for care for hospital-acquired conditions to be reduced, starting in 2015</td>
</tr>
<tr>
<td>Secretary to determine what is considered a readmission (i.e., minimum time between admissions)</td>
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<tr>
<td>Hospital-acquired conditions</td>
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<tr>
<td>Individual hospitals’ infection data to be made available online</td>
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Kocher R, Sahni NR. NEJM DECEMBER 30, 2010
SO ….. WHAT IS GOING TO HAPPEN?

- WILL MEDICARE BE THERE??    Yes

- WILL IT BE THE SAME AS IT IS TODAY??    No

- WHAT FORM WILL IT TAKE??    ????

Annual Change in National Health Expenditures

RAPID GROWTH OF MINOR PROCEDURES AND TESTS

Volume of physician services per beneficiary has continued to grow

Note: E&M (evaluation and management).
Source: MedPAC analysis of claims data for 100 percent of Medicare beneficiaries.

COURT DECISIONS REGARDING THE ACA

Curfman, G., NEJM March 15, 2012
Percent Change in National Health Expenditures, by Selected Sources of Funds, 2000-2010

Notes: This figure omits national health spending that belongs in the categories of Other Public Insurance Programs, Other Third Party Payers and Programs, Public Health Activity, and Investment, which together represent about 20% of total national health spending in 2010. Medicare and Medicaid were enacted in 1965; by January 1970, all states but two were participating in Medicaid.