

Going Forward

Challenges Ahead

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Challenges Facing Medicare

2014 Total Federal Outlays: \$3.5 trillion
2014 Net Federal Medicare Outlays: \$505 billion

➤ Spending/financing

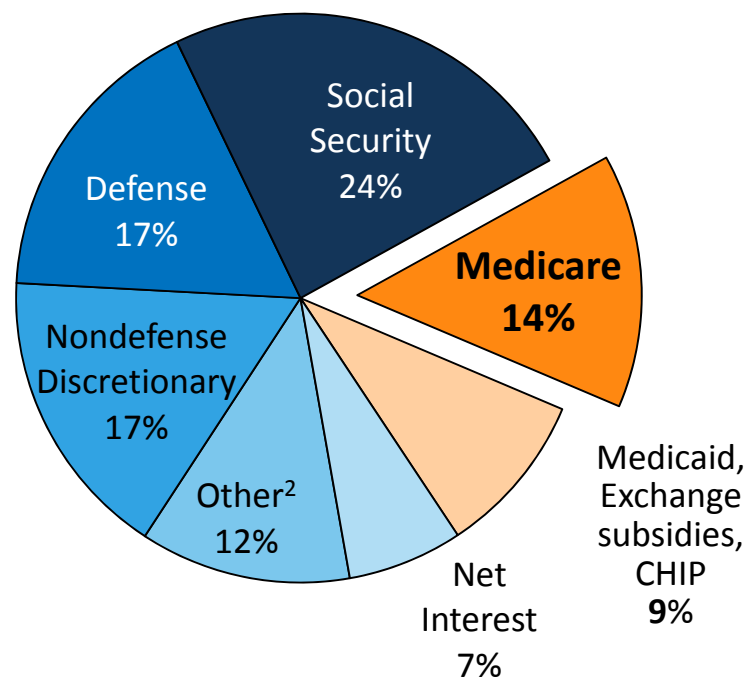
- Medicare is 14% of the federal budget and a growing share of the budget and the economy
- Medicare faces long-term financing challenges, with a growing number of beneficiaries, population aging, and rising health care costs

➤ Beneficiaries

- Beneficiaries incur relatively high out-of-pocket costs as a share of income and household budgets
- Medicare coverage today is more complex than in the past; private plan choices abound

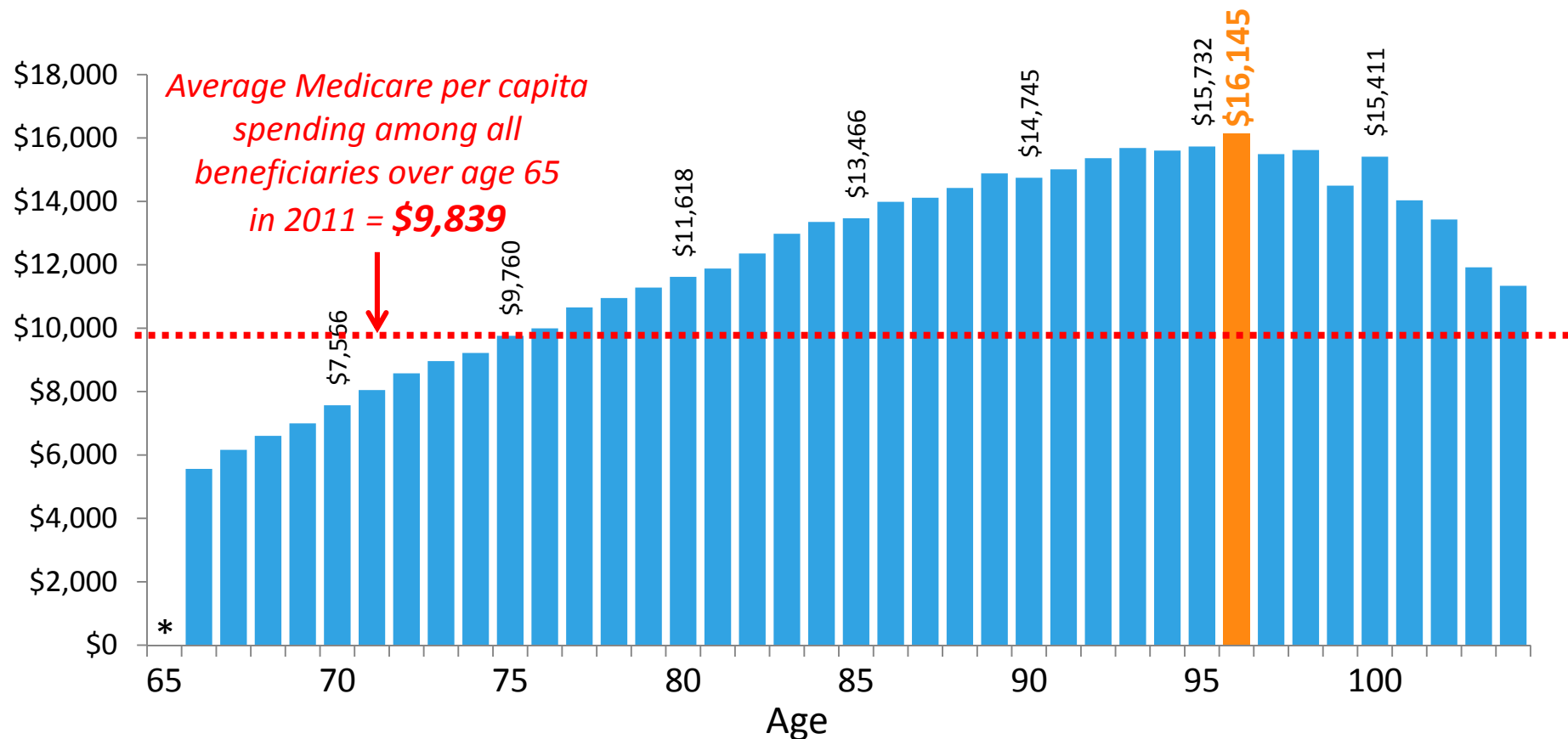
➤ Providers

- Improving care management and targeting interventions to beneficiaries with the greatest needs and highest costs
- Navigating new payment approaches and delivery system reforms
- Are payments adequate to ensure participation?



Among traditional Medicare beneficiaries over age 65, Medicare per capita spending rises with age, peaks at age 96, and then declines

Medicare per capita spending for traditional Medicare beneficiaries over age 65, by age, 2011

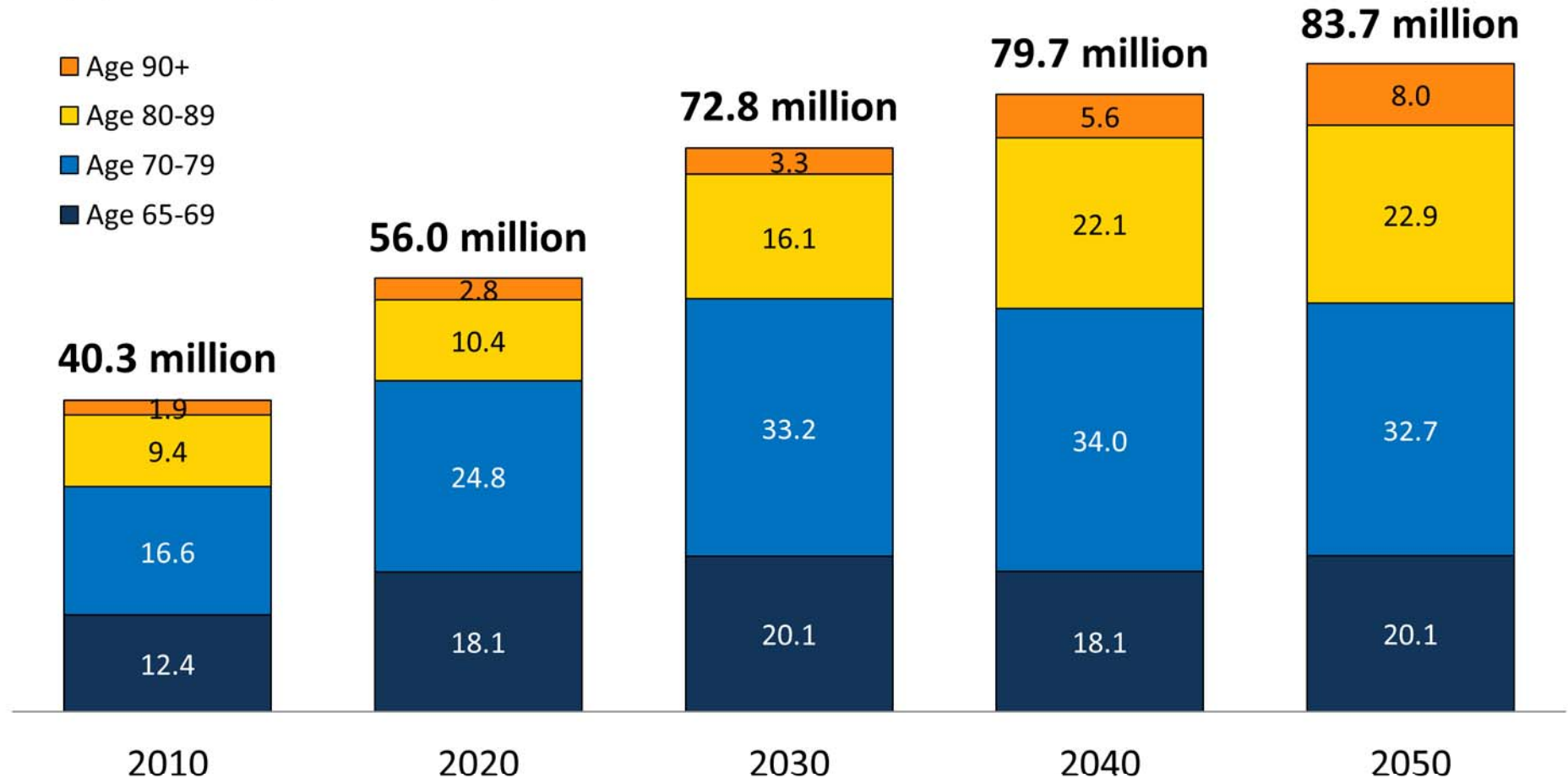


NOTE: Analysis excludes beneficiaries with Medicare Advantage. *Analysis excludes people age 65 because some of these beneficiaries are enrolled for less than a full year; therefore, a full year of Medicare spending data is not available for all people at this year of age.

SOURCE: Kaiser Family Foundation analysis of a 5 percent sample of Medicare claims from the Chronic Conditions Data Warehouse, 2011.

The U.S. population ages 80 and older will nearly triple between 2010 and 2050; the number of people ages 90 and older will quadruple

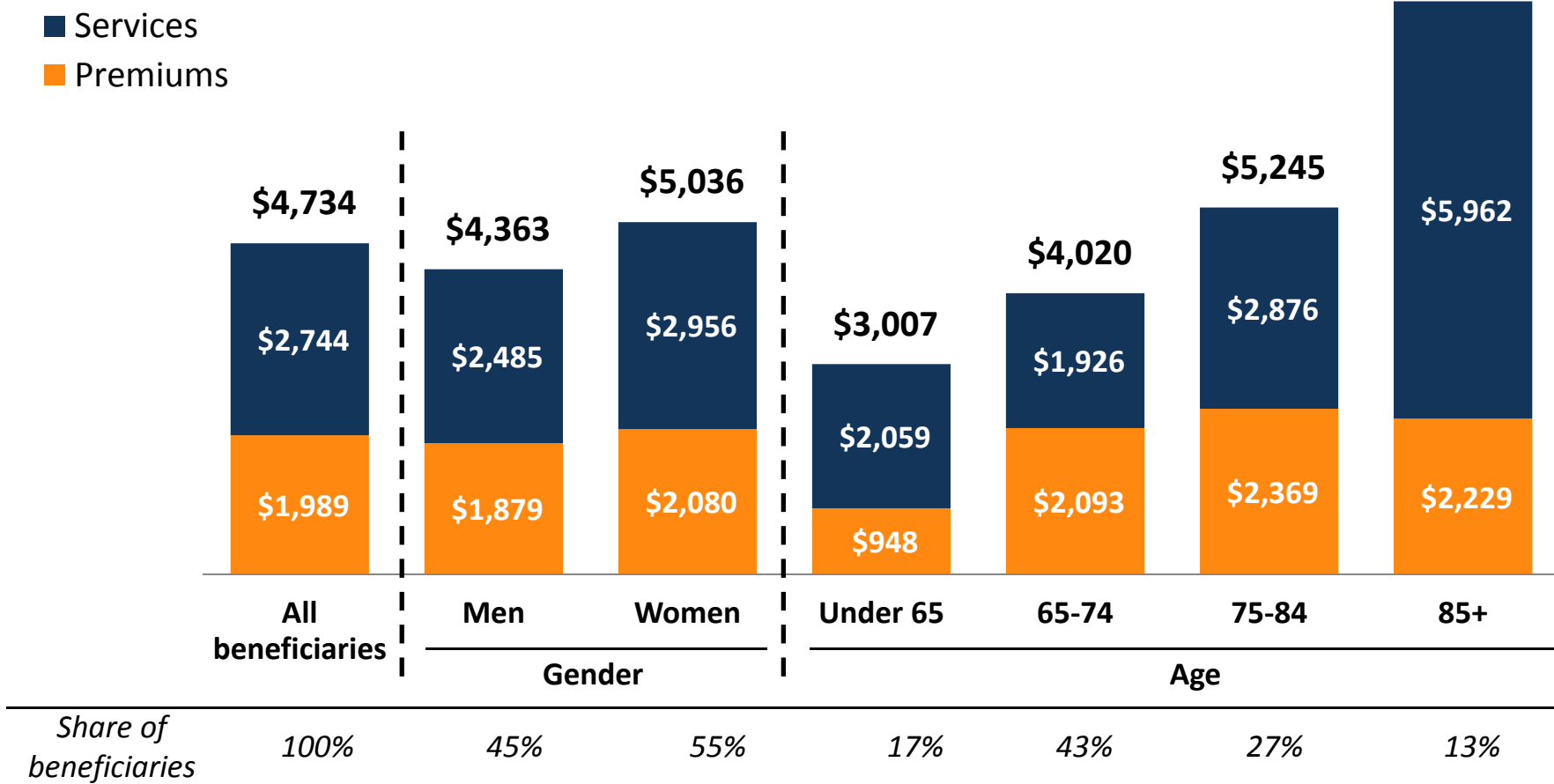
U.S. population ages 65 and older, 2010-2050



SOURCE: Kaiser Family Foundation analysis of 2010 population estimates from U.S. Census Bureau, Population Division, Vintage 2011: National Tables, Table 1. Annual Estimates of the Resident Population by Sex and Five-Year Age Group for the United States: April 1, 2010 to July 1, 2011 (NC-EST2011-01), May 2012; and 2020-2050 population projections from U.S. Census Bureau, Population Division, 2012 National Population Projections: Summary Tables, Projections of the Population by Age and Sex for the United States: 2015 to 2060 (NP2012-T12); December 2012.

Average out-of-pocket spending on services is higher for women on Medicare than men and increases with beneficiaries' age

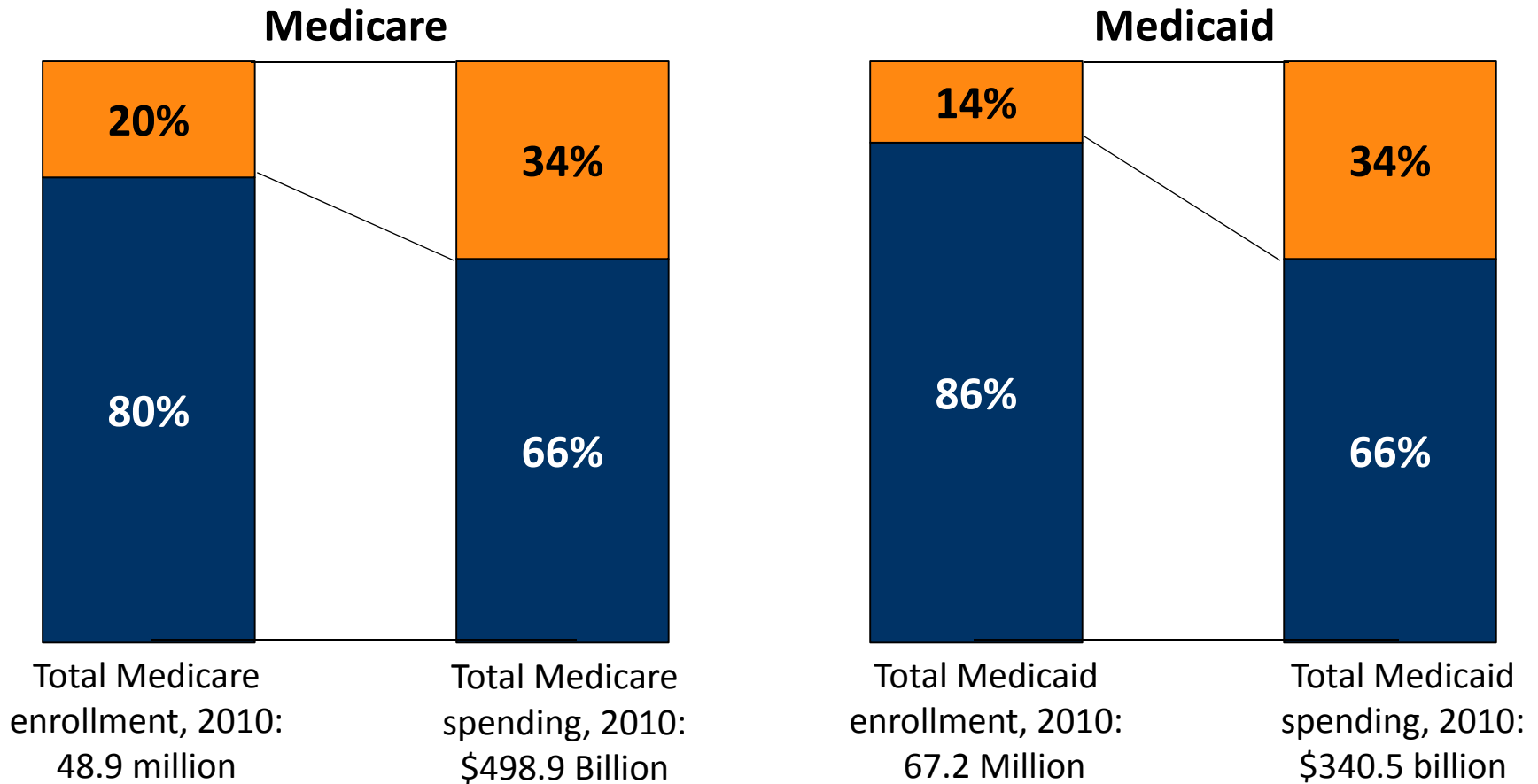
Medicare Beneficiaries' Average Total Out-of-Pocket Spending on Services and Premiums, by Gender and Age, 2010



NOTE: Analysis excludes beneficiaries enrolled in Medicare Advantage plans. Premiums includes Medicare Parts A and B and other types of health insurance beneficiaries may have (Medigap, employer-sponsored insurance, and other public and private sources).
 SOURCE: Kaiser Family Foundation analysis of the Medicare Current Beneficiary Survey 2010 Cost & Use file.

Dual-Eligible Beneficiaries as a Percent of Medicare and Medicaid Enrollment and Spending, 2010

■ Dual-eligible beneficiaries
 ■ Non-dual eligible beneficiaries



SOURCE Medicare Payment Advisory Commission and Medicaid and CHIP Payment and Access Commission, *Data Book: Beneficiaries Dually Eligible for Medicare and Medicaid* (January 2015).

Workforce Challenges Ahead

GOAL – Increasing capacity of workforce to deliver efficient, high-quality care

- Mismatch between needs of the population and specialty of mix of physicians being trained
- Increasing physician numbers won't help specialty/ geographic mix
- Increasing the number of trained residents **not** dependent on increasing Medicare funding
- Healthcare teams are key to achieving 21st century delivery of care
- Role of nurse practitioners and other non physician providers is limited by state laws and payment rules

Going Forward

- Payment Reform
 - Movement away from FFS (SGR)
 - Link to quality
- Delivery System Reform
 - ACOs
 - PCMH
 - High Cost/High Risk/Duals
- Benefit Restructuring
 - Combine Parts A and B
 - Reform Medigap
- Eligibility
 - Age of qualification
- Premium Support