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Affordable, quality health care. For everyone.

Medicare at 50: Issues and Future Directions

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Medicare is a Multi-Faceted Program

- A vehicle for coverage to a large and growing population (aged and disabled) with extensive health care needs.
- A program that accounts for a large and growing share of the federal budget and national health spending.
- A platform for developing innovative payment and delivery system models.

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Immediate Impact

- Increased health insurance coverage.
- Increased access to health care.
- Increased protection against health care costs.
- Decreased disparities in access by race.
- Desegregation of hospitals (staff and facilities).

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Evolution Over Time

- Increased eligibility (disabled added in 1972).
- Increased coverage (drug coverage added in 2006).
- Expanded role of private plans (Medicare risk program established in 1972 -> Medicare Advantage).
- Payment reform (prospective payment for hospitals in 1983, physician fee schedule in 1992, other prospective payment systems in 1997, Accountable Care Organizations in 2012, set new target for value-based payments—30% by 2016, 50% by 2018).
- Quality improvement (Professional Standards Review Organizations in 1972 -> Quality Improvement Organizations, value-based payment initiatives).

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The Affordable Care Act

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- Important provisions to improve care for Medicare beneficiaries while slowing Medicare spending:
  - Extended coverage to all effective preventive services with no patient cost-sharing.
  - Eliminates the "doughnut hole" in Medicare prescription drug coverage.
  - Encourages payment and delivery system reform.
- Initiatives to encourage and reward changes in how health care is organized, delivered, and paid for:
  - Center for Medicare and Medicaid Innovation.
  - Patient-Centered Medical Homes.
  - Accountable Care Organizations.
  - Bundled payment.
  - Multi-payer initiatives.

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The Medicare Access and CHIP Reauthorization Act

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- Repeals Medicare's sustainable growth rate formula (SGR):
  - Intended to counter tendency of fee-for-service payment to reward volume and intensity rather than quality and outcomes.
  - Widely criticized because it:
    - … cut fees across-the board, regardless of appropriateness or performance;
    - … hindered attempts at payment reform; and
    - … failed to control cost growth.
- Puts in place:
  - Modest increases in physician fees.
  - Coordinated rewards for high performance.
  - Strong incentives to participate in alternative payment models.

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Ongoing Challenges

- Rising expenditures—spending per beneficiary slowing, but rising number of enrollees -> rapid increase in total spending.
- Chronic illness—changing beneficiary needs in a program designed for acute care.
- Program fragmentation—beneficiaries in traditional Medicare obtain coverage from Part A (Hospital Insurance), Part B (Supplementary Medical Insurance), Part D (Prescription Drug Coverage), private supplemental (Medigap) coverage.
- Coverage gaps—high deductibles/copays, no limit on out-of-pocket costs, no coverage for long-term care.
- Role of private plans—how to bring out the best in both traditional Medicare and Medicare Advantage.

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