

Medicare Solvency Projections and Potential Policy Solutions

Thursday, February 25, 2021

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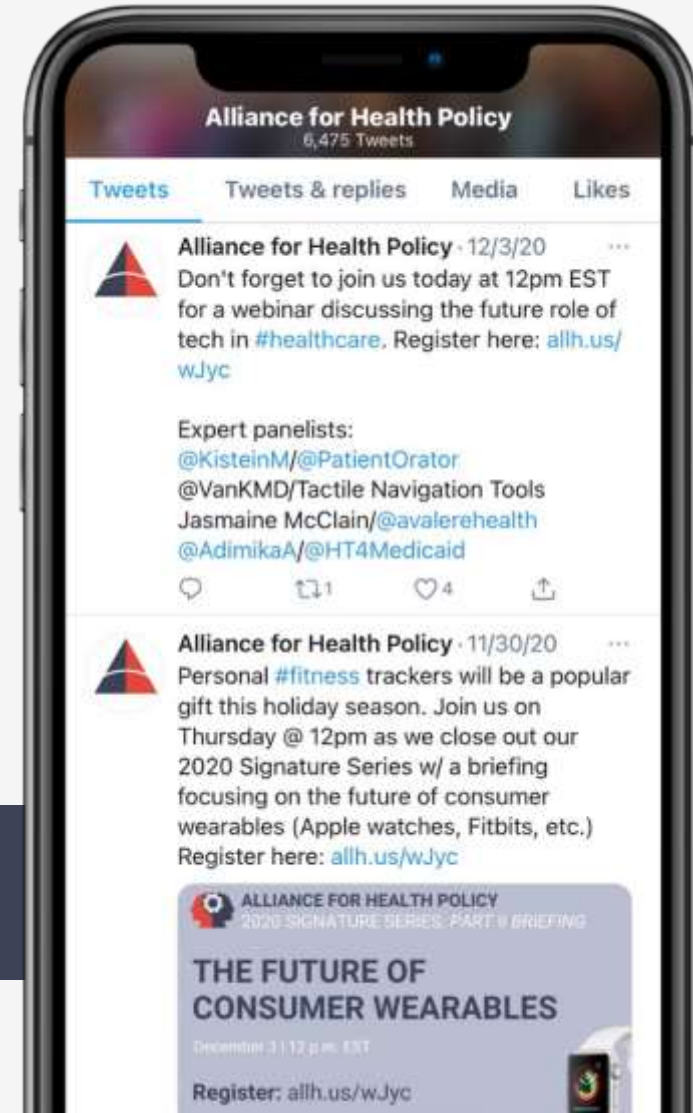


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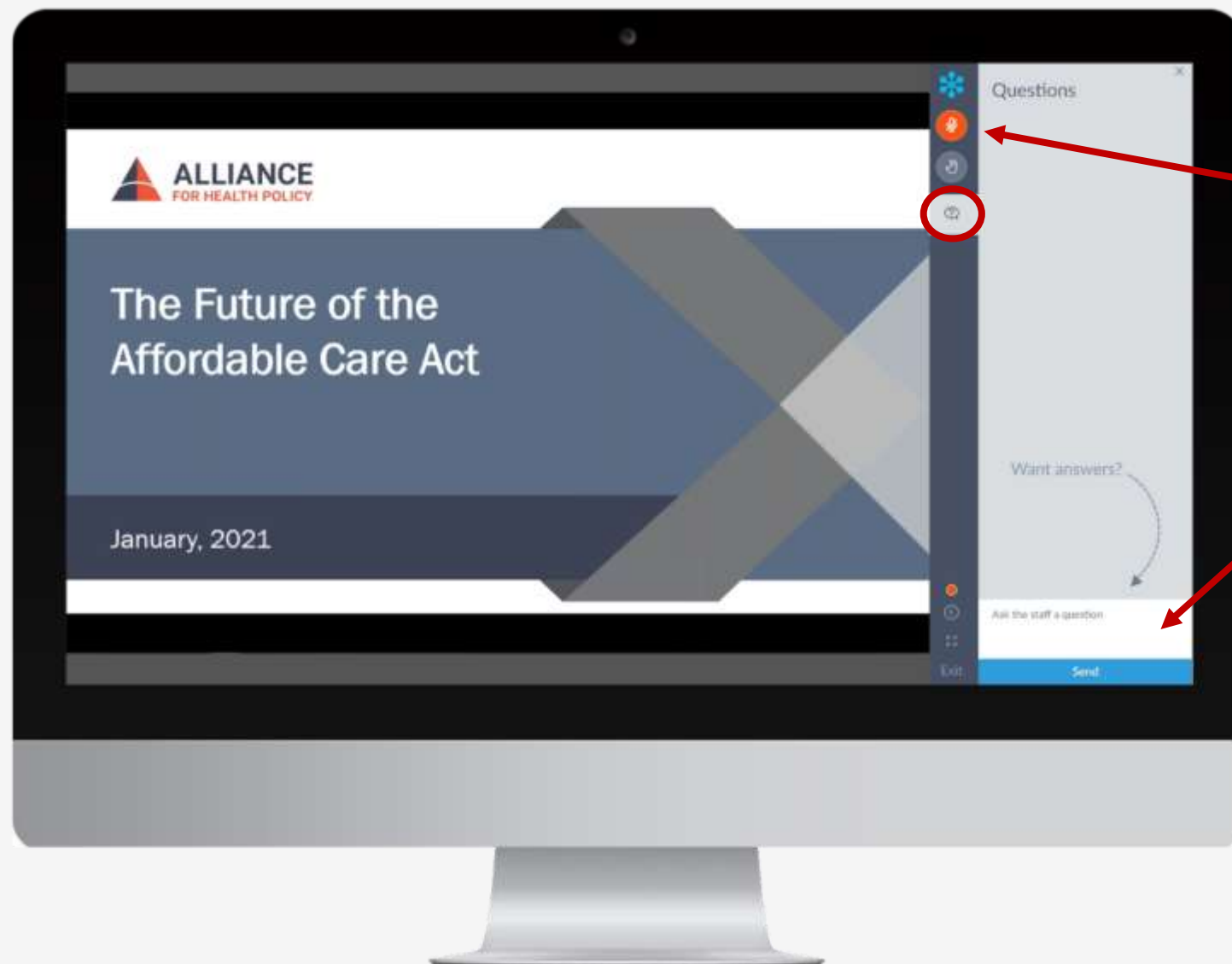


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Materials

Additional resources available online »

- Full speaker bios
- Resource list
- Expert list
- Presentation slides
- Recording

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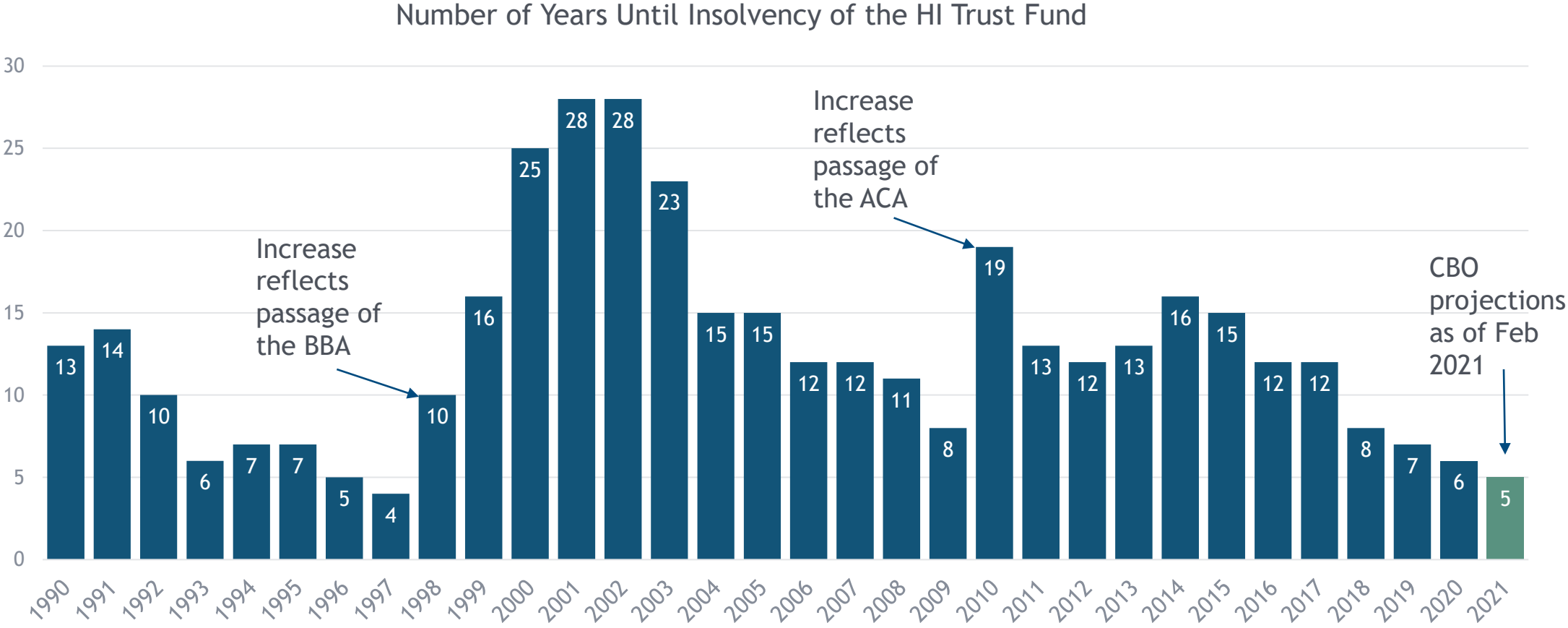
@GretchJacob

Gretchen Jacobson, Ph.D.
Vice President, Medicare,
The Commonwealth Fund

Moderator



Insolvency projections for the Medicare Hospital Insurance Trust Fund have varied over the years, with current estimates projecting insolvency in 2026.



Panelists



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Medicare Trust Fund Basics

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Medicare benefits and financing structure

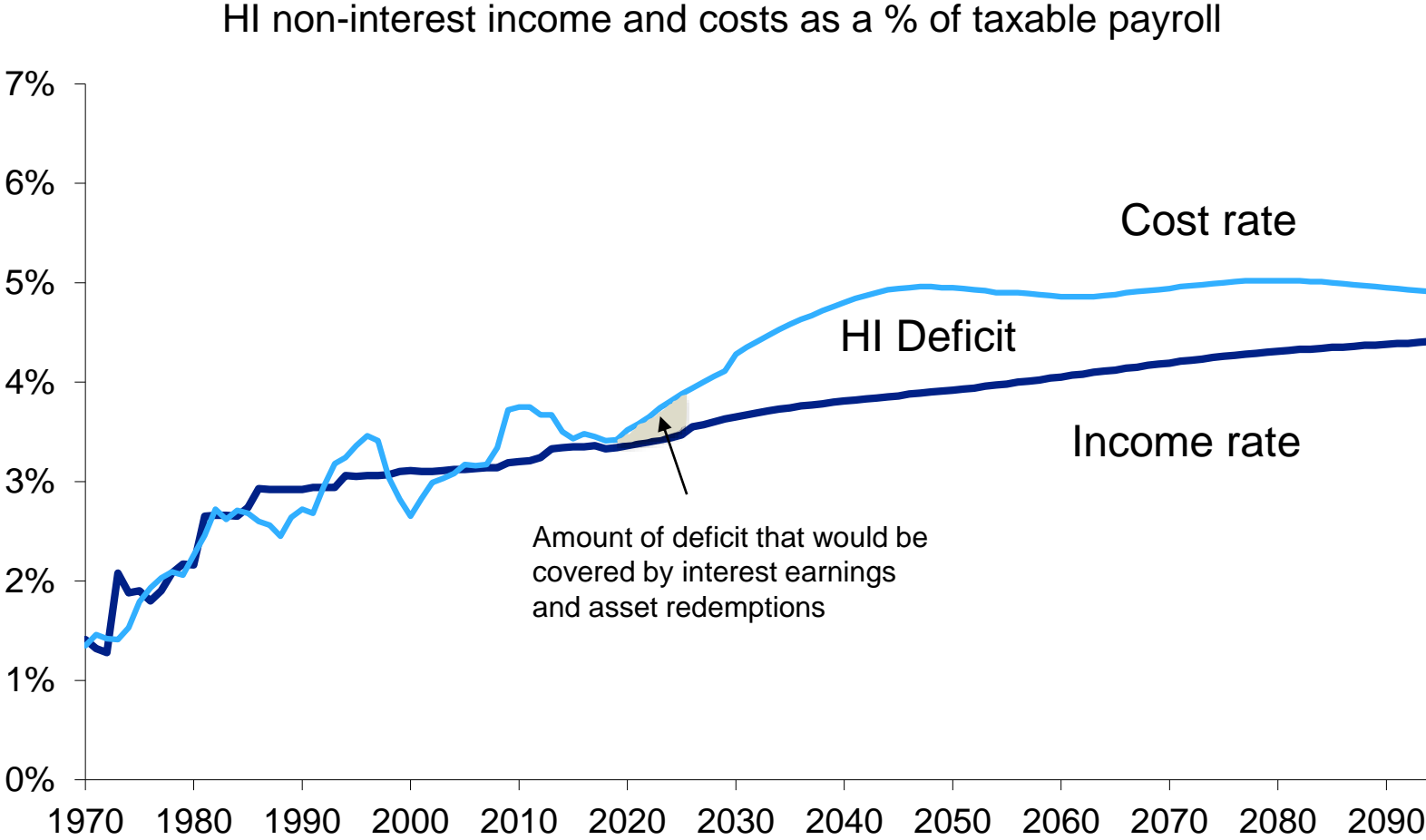
	Hospital Insurance (HI)	Supplementary Medical Insurance (SMI)
Benefits	Inpatient hospital and post-acute care (Part A)	Physician and outpatient care (Part B) Prescription drugs (Part D)
Financing	Payroll taxes	Beneficiary premiums and general tax revenues



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HI costs projected to continue exceeding non-interest income this year and thereafter



Source: 2020 Medicare Trustees Report



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HI trust fund depletion date is fast approaching

- Recent depletion date projections from CBO and the Medicare Trustees range from 2024 to 2026
- In the short term, projections are sensitive to assumptions regarding COVID-19 effects
 - ▣ Short-term reductions in benefit costs due to deferred care; rebound as utilization returns
 - ▣ Payroll tax revenue reductions due to economic downturn
- Bottom line—the depletion date is coming soon



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Implications of HI trust fund depletion

- HI revenues will cover 90% of expected expenditures in 2026
- HI deficit over the next 75 years = 0.76% of taxable payroll
- Eliminating 75-year deficit would require:
 - ▣ Immediate 26% increase in payroll taxes, or
 - ▣ Immediate 16% reduction in expenditures, or
 - ▣ Some combination
- Cumulative shortfall over the next 10 years is approximately \$500 billion

Sources: 2020 Medicare Trustees Report; CBO (Feb 2021)



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Assessing Medicare's financial status goes beyond focus on HI depletion date

- The SMI trust fund will remain solvent, but only because its financing is reset each year to meet projected future costs
- Projected increases in SMI expenditures will require significant increases in beneficiary premiums and general revenue contributions



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Medicare's sustainability challenges go beyond solvency

- Does the program meet the needs of the beneficiaries?
 - ▣ Benefit coverage
 - ▣ Out-of-pocket costs
 - ▣ Racial and ethnic disparities
- Policies should aim to ensure that Medicare beneficiaries have access to high-quality health care that is affordable both to them and to the nation as a whole



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A Unified Assessment Tool to Assess Medicare Savings Options

Alliance for Health Policy Webinar

Jonathan Blum

February 25, 2021

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Addressing Medicare Solvency Will Be More Challenging Than Past Medicare Savings Legislative Initiatives

1. The dollar magnitude of saving measures necessary to increase Medicare solvency are far greater today than recent legislative efforts
 - Congress will need to reduce Medicare Part A spending by \$600 billion over 10 years (or increase revenues) to extend Medicare solvency by 10 years under current baseline assumptions
 - Additional savings may be needed to address Medicare Part B and Part D policy priorities
 - Failure to address solvency has significant operational and financial consequences for a range of stakeholders
2. Savings measures will just not impact Medicare's financial measures, they will have many other impacts depending on their design:
 - Beneficiary out-of-pocket spending and access to care; beneficiaries have many different needs and resources
 - Health system finances, especially more Medicare-dependent facilities
 - Medicaid spending
 - Availability of Medicare Advantage plan options
 - Conditions to support delivery-system reforms

Applying a Unified Assessment of Medicare Savings: Competitively Set Benchmarks for Medicare Advantage Plans

Some policy analysts have recommended that Medicare set its county-level benchmarks based upon the bids submitted by plans. HMA—with support from the Commonwealth Fund—modeled this option using its unified assessment tool. We assume that plans would be paid the average of their bids.

■ *How will the policy change Medicare's financial measures?*

- Reduces Medicare spending by \$470 billion over 10 years
- Improves Medicare Part A insolvency by 2 years
- Decreases per-capita spend by 1 percent

■ *How will it impact health care delivery systems?*

- No significant impact (model assumes Medicare Advantage plans pay the same as Traditional Medicare)

■ *How will it impact Medicare beneficiaries?*

- Medicare Advantage enrollment projected to decline by 14%
- Medicare beneficiaries' cost-sharing (for those that don't have supplemental coverage) increases by \$1200 by 2027
- Beneficiaries in poor health who require relatively more health care resources pay significantly more than the average



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ANY MEDICARE SOLVENCY EFFORT MUST INCLUDE ADVANCING HEALTH EQUITY

Alliance for Health Policy and The Commonwealth Fund Policy Discussion

Adaeze Enekwechi, PhD, MPP

George Washington University Milken Institute School of Public Health

Alliance for Health Policy Board Member

February 25, 2021

WHAT IS HEALTH EQUITY? IS IT RELEVANT IN MEDICARE?

- Health equity is achieved when everyone has a fair opportunity to attain their full health potential and no one is disadvantaged from achieving this potential.
- Many vulnerable people do not enjoy a fair opportunity at optimal health irrespective of their type of insurance.
- In order to design a payment system that is responsive to beneficiaries' needs, Medicare must confront the poor health outcomes caused by lifelong effects of racism and structural inequities in the U.S.

MEDICARE INSOLVENCY PRESENTS AN OPPORTUNITY

- COVID pandemic magnified existing inequities in access, information, and outcomes in public health
- Vulnerable populations more likely to lack infrastructure, further exacerbating inequities
 - 40 percent of Medicare beneficiaries do not have broadband access
- A major policy effort that can incorporate short- and long-term policies to strengthen the Medicare program
- Medicare has an opportunity to consider how to address the health for beneficiaries who are in worse health, and have predisposing social and economic conditions that leave them much more vulnerable to any breaks in care

MEDICARE'S ROLE TO ADVANCE HEALTH EQUITY

1. Take the lead
2. Incorporate dynamic screening for social factors
3. Combat implicit bias and enhance cultural competence among providers
4. Use socioeconomic, encounter, claims, & clinical data
5. Harness technology in the delivery of care

Discussion



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