



# Medicare Trends



# First a word about the rising cost of retiree healthcare...

- The average 66-year-old couple is expected to spend nearly 60% of their Social Security income on medical bills, according to a recent survey
- The typical 45-year-old couple's health care tab will total 116% of lifetime Social Security benefits



# Introduction

- Medicare Advantage (MA) is a program of competing private health plans.
- For the vast majority of senior citizens, it is the only viable alternative to enrollment in traditional Medicare.
- For Members of Congress, its record can provide valuable lessons for comprehensive Healthcare reform
- MA is an increasingly attractive option for millions of senior and disabled Americans because it offers comprehensive coverage, and, typically, a more generous benefits package than traditional Medicare.
- MA plans must put a cap on beneficiaries' out-of-pocket costs.
- Patients are provided with a variety of plans and a broad array of doctors, hospitals, and other medical professionals;
- MA plans have also made pioneering changes in care delivery, such as care coordination and case management.
- Today, the program has 15.7 million enrollees, almost 30 percent of the entire Medicare population.





# What are we going to talk about?

- The Medicare Population
- ACA and Medicare
- Future of Medicare Advantage
- Federal Challenges
- Managed Care
- MACRA For Insurance Brokers

# The Medicare Population

## Characteristics of the Medicare Population

**1 in 2** Medicare Beneficiaries  
with incomes < \$23,500



**1 in 3** Medicare Beneficiaries  
with 5+ chronic conditions



**1 in 4** Medicare Beneficiaries  
reporting fair/poor health status



SOURCE: Kaiser Family Foundation analysis of the Medicare Current Beneficiary Survey 2010 Cost and Use file.



# Market Trends

- UnitedHealthcare and Humana together account for 41 percent of enrollment in 2017
- 97% of all MA-PD enrollees have access to a zero premium plan
- only about half (52%) are enrolled in such a plan
- 10 percent with premiums of \$100 per month or more.
- 66 percent of Medicare Advantage enrollees are in plans with 4 or more stars



# ACA And Medicare

- **ACA Is still the law of the land**
- **Medicare coverage is protected.** Medicare isn't part of the Health Insurance Marketplace, so your clients don't have to replace their Medicare coverage with Marketplace coverage.
- **More preventive services, for less.** Medicare now covers certain preventive services, like mammograms or colonoscopies, without charging for the Part B coinsurance or deductible. Your clients also can get a free yearly "Wellness" visit.
- **Cost savings on brand-name drugs.** A 60% discount when buying Part D-covered brand-name prescription drugs in the donut hole
- **The donut hole will be closed completely by 2020**
- **Doctors gets more support.** With new initiatives to support care coordination, providers may get additional resources to make sure that treatments are consistent.
- **The health care law ensures the protection of Medicare for years to come.** The life of the Medicare Trust fund will be extended to at least 2029—a 12-year extension due to reductions in waste, fraud and abuse, and Medicare costs





# ACA Cuts

- Medicare Advantage plans receive payments from Medicare to provide all Medicare-covered benefits to enrollees.
- The Medicare Payment Advisory Commission (MedPAC) reports that Medicare payments to private health plans in 2010 were between 9 percent and 13 percent higher, on average, than local fee-for-service costs.
- The 2010 health reform law gradually phased down Medicare payments to plans, to bring payments closer to the average costs of Medicare beneficiaries, by county

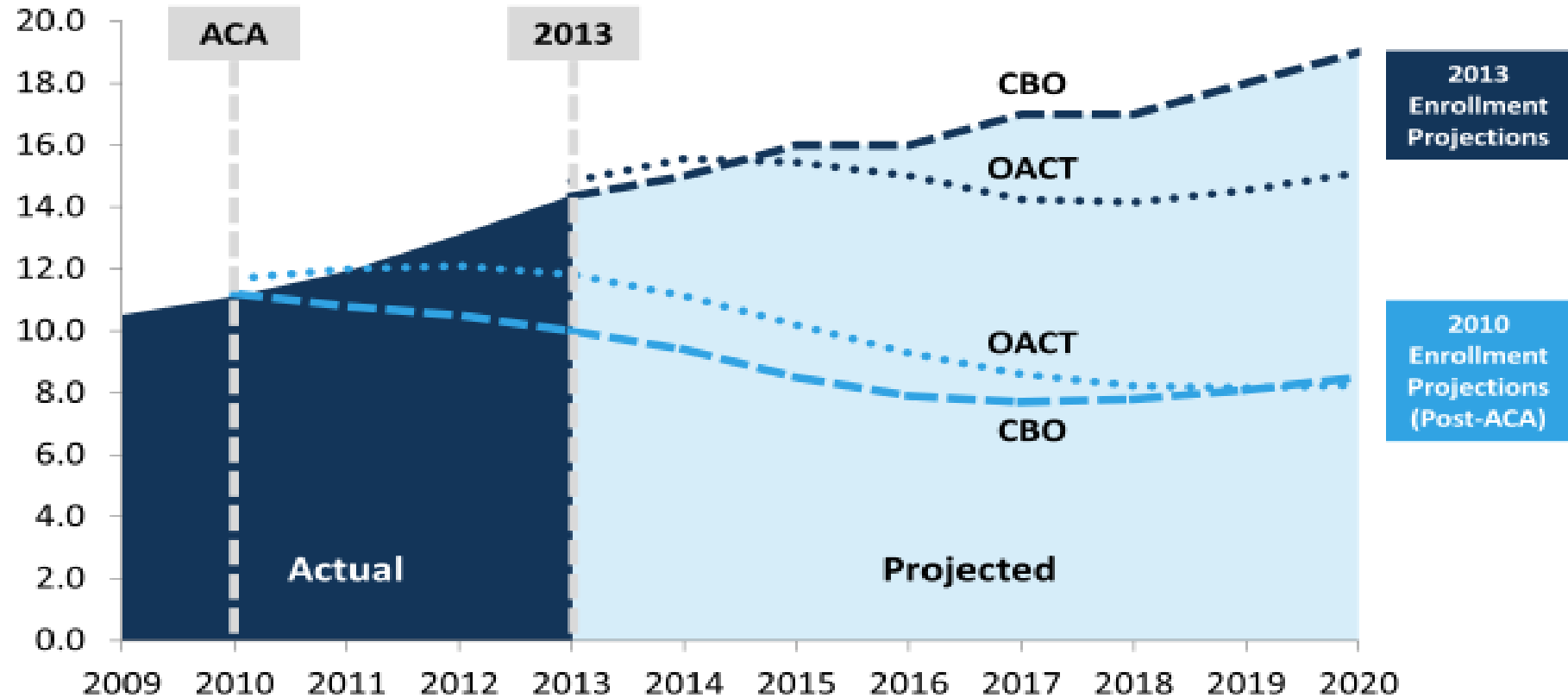


	MA enrollees	Annual MA plan costs per enrollee	Annual traditional Medicare costs per beneficiary	MA plan costs per enrollee as a percent of traditional Medicare costs per beneficiary (B/C)	Total MA plan costs relative to traditional Medicare costs ((B-C)*A) (in millions)
Nationwide	8,829,576	\$9,370	\$9,413	100%	-\$378
Urban	8,422,171	9,344	9,452	99	-911
Rural	407,405	9,915	8,607	115	533

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# What is the future outlook for Medicare Advantage?

Actual and projected enrollment (in millions)



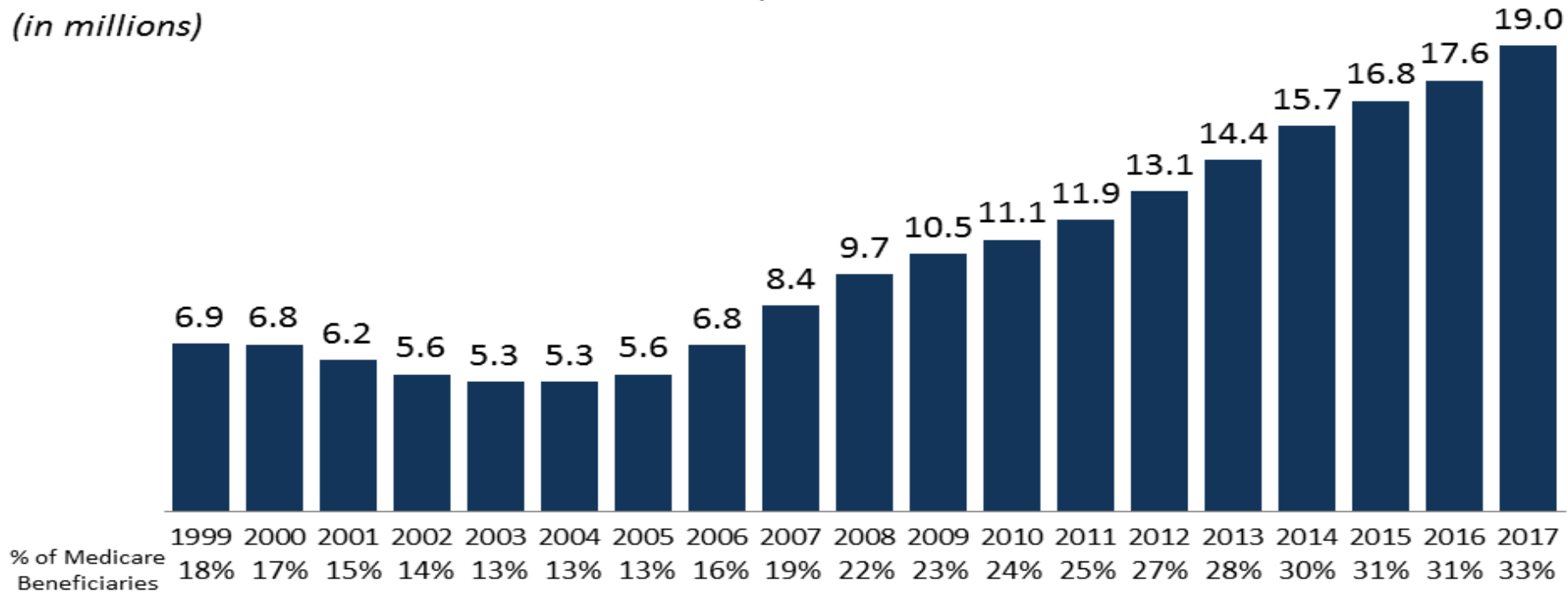
NOTE: CBO is Congressional Budget Office; OACT is CMS Office of the Actuary.

SOURCE: MPR/Kaiser Family Foundation analysis of CMS Medicare Advantage enrollment files, 2009-2013. CBO, "Medicare Baseline," August 2010 and May 2013. Report of the Medicare Board of Trustees, 2010 and 2013.

Figure 1

## Enrollment in Medicare Advantage plans has steadily increased since 2004

*Total Medicare Private Health Plan Enrollment, 1999-2017  
(in millions)*



NOTE: Includes MSAs, cost plans, demonstration plans, and Special Needs Plans as well as other Medicare Advantage plans. Excludes beneficiaries with unknown county addresses and beneficiaries in territories other than Puerto Rico.

SOURCE: Authors' analysis of CMS Medicare Advantage enrollment files, 2008-2017, and MPR, "Tracking Medicare Health and Prescription Drug Plans Monthly Report," 1999-2007; enrollment numbers from March of the respective year, with the exception of 2006, which is from April.




# The Death of Medicare Advantage??

- **Enrollment Growth.** Since the ACA was passed in 2010, Medicare Advantage enrollment has grown 71 percent.
- Total Medicare Advantage enrollment grew by about 1.4 million beneficiaries, or 8 percent, between 2016 and 2017
- Medicare Advantage enrollment increased in all states but one in 2017, In eight states AK, AL, DE, MD, NH, NJ, VT, and WY enrollment increased by 20 percent or more
- Medicare Advantage enrollment is projected to continue to grow over the next decade, rising to 41 percent of all Medicare beneficiaries by 2027



# The Insurance Companies

- 4 biggest US Insurers are losing money on the ACA
- Losses expected for each into hundreds of millions of dollars
- No way to force insurers to participate in rural markets
- 1/4 of all counties will have only one plan option
- Uncertainty and Risk...


- 
- “In the Affordable Care Act marketplace, there has been an enormous amount of churning — people dropping out, going into other plans — so it’s been very difficult for insurers to predict spending. By contrast, Medicare Advantage is a very predictable business” -Prof. Dana Goldman, a health economist at the University of Southern California.





# The Insurance Companies

- Since 2006, Medicare has paid plans under a bidding process. Plans submit “bids” based on estimated costs per enrollee for services covered under Medicare Parts A and B
- The bids are compared to benchmark amounts
- The benchmarks are the maximum amount Medicare will pay a plan in a given area
- If a plan’s bid is higher than the benchmark, enrollees pay the difference between the benchmark and the bid in the form of a monthly premium, in addition to the Medicare Part B premium.
- If the bid is lower than the benchmark, the plan and Medicare split the difference between the bid and the benchmark; the plan’s share is known as a “rebate,” which must be used to provide supplemental benefits to enrollees.

- 
- “Even with all the cutbacks in the Affordable Care Act, there is still a decent opportunity for insurance companies to make a profit in the Medicare Advantage program,” said the marketplace under the Affordable Care Act will calm down over time but may not ever be as stable and predictable as Medicare Advantage.”
  - -Richard S. Foster, the former chief actuary of the Medicare program.

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**Humana** CONTRIBUTOR

Obamacare Woes Aside

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**Bruce Japsen**, CONTRIBUTOR  
*I write about healthcare business and policy* [FULL BIO](#)

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"Operating earnings in our government business remain robust," Aetna CEO Mark Bertolini

Aetna said enrollment in Medicaid plans jumped 9% to 2.4 million in the third quarter

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By Maureen Farrell | CNNMoney | December 22, 2011, 12:45 PM ET

The U.S. government pays 10% more for private insurance run by firms like Humana, WellCare Health Plans, and Centene -- some of 2011's best performing stocks.

NEW YORK (CNNMoney) -- This has been a volatile year for the stock market. But one sector has been consistently earning a windfall for investors: health insurers that provide private Medicare plans to seniors.

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S&P 500	2,477.57	▲ 1.22	▲ 0.05%
Treasury	2.26	▲ 0.01	▲ 0.49%

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Aetna profits bolstered by Medicare, Medicaid. Insurer confident merger with Humana will close.

By Shelby Livingston | October 27, 2016

(Story updated at 12:29 p.m. ET)

Membership gains in Medicare and Medicaid bolstered Aetna's third-quarter earnings, despite pressures stemming from its public exchange business. Aetna also stressed Thursday that it remains confident its multibillion-dollar merger with rival insurer Humana will close in 2017.

Hartford, Conn.-based Aetna's third-quarter net income jumped 7.8% to \$603.9 million compared with the same period in 2015, and revenue was up by 5.5% year

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Humana profit up 43% as Medicare Advantage unit soars

By Shelby Livingston | November 4, 2016

Humana's third-quarter profit soared 43.3% on better-than-expected earnings from its Medicare plans.

The Louisville, Ky.-based insurer said its individual Medicare Advantage business line improved over the quarter because of fewer claims.

But overall earnings were offset by the loss of a large group Medicare Advantage account that moved to a private exchange at the start of the year, as well as a decline in premium revenue from fewer individual commercial plan members.

Humana's Medicare premium revenue grew 4.2% to \$10.05 billion in the three





Republicans are signaling they want to overhaul Medicare, but it's very unlikely they would do anything to undermine the Advantage program.

House Speaker Paul Ryan favors turning Medicare into a premium support system. Beneficiaries would receive vouchers to purchase a private plan or traditional Medicare coverage.

"This model would be gasoline on the fire" of Advantage enrollment" –John Gorman (Former CMS Official and now a healthcare consultant in Washington

## Federal Challenges



# Managing Care

- The United States spends more money per person on healthcare than any other country in the world
- Paying more doesn't get you more...In fact, not only does the U.S. fare worse in terms of infant mortality and life expectancy than other developed nations, it also tops the list for deaths that are considered preventable with timely and appropriate treatment.
- a hospital stay or common diagnostic tests, like MRIs, cost many times more in the U.S. than in countries like Germany or Japan.
- Just 5% of the population accounts for nearly half of the spending on healthcare
- 20% of the population accounts for 4/5 of total spending
- The cost for these patients skyrockets when its not properly coordinated





# Managing Care Cont...

- One of five elderly patients discharged from hospitals in the United States ends up being readmitted within 30 days, costing Medicare alone upwards of \$17 billion each year
- Research shows that 75 percent of Medicare hospital readmissions (4.4 million patients) may be preventable, suggesting potential savings of up to \$12 billion in annual Medicare spending.
- Research shows that adverse medication events are responsible for more than 88 percent of emergency hospital admissions among elderly patients, two thirds of which are readmissions





# Is Managed Care Better Care??

- There are good managed care organizations and bad ones
- A survey of over 3000 Medicare patients found that 87% would recommend their HMO for standard care
- A analysis of the literature on managed care performance cites six studies which show that HMO plan enrollees receive more preventive tests, examinations, and health promotion services
- 14 out of 20 studies that measured quality of care found that patients showed better results compared with fee for service

Most studies suggest that managed care may be most effective in preventing over-treatment



MACRA

# How Are Doctors Paid?

- Fee for Service – Fee for every service performed
- Capitation – Flat fee every month (Per Patient per month) RISK/REWARD
- Pay for Performance – Bonus payments tied to quality of care RISK/REWARD







# MACRA- Medicare Access and CHIP Reauthorization Act of 2015

- Repeals the sustainable Growth Rate Formula (Threatened Part B Physicians with payment cliff for 13 years)
- Providers are eligible if they participate in an advanced payment model or if they bill Medicare more than \$30,000 and provide care for more than 100 Medicare patients a year
- Providers can choose how they want to participate
- 2 Tracks to choose from



# MIPS

- MIPS replaces current EHR incentive programs, physician quality reporting system, and Value Modifier Program
- MIPS comprises 4 performance categories used to score each eligible clinician
  - ❖ Quality (50%)
  - ❖ Resource Use (10%)
  - ❖ Advancing care of information (25%)
  - ❖ Clinical Practice improvement activities (15%)
- ❖ Whether a MIPS eligible clinicians composite performance exceeds, meets, or falls short of the threshold set by CMS determines a positive, negative, or neutral payment adjustment ( 4% in 2019, 5% 2020, 7% 2021, and 9% 2022 and beyond)



# Alternative Payment Models

- Provers exempt from MIPS
- Providers will receive a lump sum payment from Medicare in the amount equal to 5% of last year's fee for service payments
- As few as 5% of all providers will qualify for payment under current alternative payment models

# Alternative Payment Models

- The Centers for Medicare & Medicaid Services (CMS) will provide a list of care models each year that qualify for Advanced APM incentive payments. In 2017, the following models are Advanced APMs:
- [Comprehensive ESRD Care \(CEC\) – Two-Sided Risk](#)
- [Comprehensive Primary Care Plus \(CPC+\)](#)
- [Next Generation ACO Model](#)
- [Shared Savings Program – Track 2](#)
- [Shared Savings Program – Track 3](#)
- [Oncology Care Model \(OCM\) – Two-Sided Risk](#)
- [Comprehensive Care for Joint Replacement \(CJR\) Payment Model \(Track 1-CEHRT\)](#)
- [Vermont Medicare ACO Initiative \(as part of the Vermont All-Payer ACO Model\)](#)





# Medicare Advantage as an APM

- Medicare Advantage will qualify as an advanced payment model in 2021
- Providers who are struggling under MIPS will have strong incentive to convert current fee for service patients to Medicare Advantage in order to qualify for this bonus
- Healthcare groups -- including the American Medical Association, the Medical Group Management Association and the American College of Surgeons sent a letter to CMS Administrator Seema Verma to press CMS to begin treating Medicare Advantage as an APM as early as 2019



# Conclusion

- Medicare Advantage enrollment continues to grow across the Country
- Current federal challenges to the ACA don't directly impact Medicare
- Medicare Advantage and Managed Care could provide a blue print to the future of federal healthcare reform
- Recent Federal legislation like MACRA seems to support the trend towards a more managed and risk bearing system