



Advising the Congress on Medicare issues

Medicare in the 21st century: Changing beneficiary profile

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Medicare facing important changes in 21st century

- § Substantial growth as baby boomers become eligible
- § Technological advances (personalized medicine)
- § Change in characteristics will affect program spending and beneficiaries' needs and preferences

Purpose of this study

- § Identify changes in beneficiaries' characteristics that are most important to Medicare
- § Identify possible changes to Medicare so the program could better serve future beneficiaries

Method

- § Convened panel of experts with variety of backgrounds
- § Sought input from MedPAC commissioners
- § Supplemented information from panel and commissioners by reviewing literature

Using method, we identified

- § 9 important changes in beneficiaries' characteristics
- § 5 possible changes to Medicare to better serve future beneficiaries

Increased prevalence of being treated for chronic conditions

- § Proportion of beneficiaries treated for 5 or more chronic conditions: 31% in 1987, 50% in 2002
- § Reasons for increase in treated prevalence
 - § Increased obesity
 - § Technology for diagnosing conditions
 - § Technology for treating conditions
 - § Changes in disease definitions

Implications of increased prevalence of chronic conditions

- § Suggests greater benefit from care coordination
- § Targeting beneficiaries for care coordination is important

Disability has declined, but has not resulted in reduced cost pressures

§ Number of limitations in ADLs per beneficiary declined from .68 in 1992 to .61 in 2000

§ Decline in disabilities has not resulted in reduced cost pressures

§ Costs of those without disability (no ADLs) have risen in relation to disabled

§ Reflects increase in being treated for chronic conditions among relatively healthy beneficiaries

Increased proportion of obese beneficiaries

- § Obesity rates have increased and are likely to stay high
- § Obesity has spread across all age groups and all segments of society
- § Obese beneficiaries
 - § More likely to have diabetes, heart disease, hypertension, and osteoarthritis
 - § High cumulative costs: have relatively high annual costs and do not have shorter life expectancy after reaching age 70

Decline in employer-sponsored insurance to supplement traditional Medicare

- § Percentage of beneficiaries with ESI declined: 28% in 1999, 25.5% in 2002
- § Decline is likely to accelerate as fewer employers will cover future retirees
- § State and local governments may reduce coverage as accounting rules change

Issue: Alternatives to ESI likely viewed as inferior

- § Medigap: Higher premiums from beneficiaries, less comprehensive coverage
- § MA plans: Often more restrictive than ESI
- § Traditional Medicare with no supplemental coverage: Greater risk of catastrophic loss

Change in racial/ethnic profile

- § Proportion of beneficiaries in some racial/ethnic minorities likely to increase
 - § 6% of 65+ population is Hispanic
 - § 14% of entire population is Hispanic
- § Could present language issues
- § Growing minorities have some important differences in health profiles
 - § Hispanics more likely to be obese, diabetic, have 3+ ADLs

Proportion of beneficiaries age 85 or older will fluctuate.

§ 13.9% of 65+ population is also 85+

§ Increase to 15.2% in 2010

§ Decrease to 13.4% in 2030

§ Increase to 19.2% in 2040

§ Beneficiaries age 85+ are

§ 40% more costly than average beneficiary

§ More likely to have Alzheimer's, 3+ ADLs, 5+ ADLs

Adult children becoming less reliable source of custodial care

- § Panel: Adult children often provide custodial care
- § But they may become less reliable source
 - § People having fewer children
 - § Adult children living farther from parents
- § Beneficiaries may have to rely on paid sources for custodial care
 - § Generally not covered by Medicare
 - § Can be costly

Beneficiaries will have more formal education

- § More beneficiaries with college degrees; fewer without high school diplomas
- § Panel: Beneficiaries will be more involved in health care decisions
- § Beneficiaries may be more willing and adept at using IT such as PHRs

Income issues

§ Income among the elderly has grown much more slowly than health care costs

§ During 1993-2003, annual real growth was 1.3% for income, 2.5% for Part B premium

§ Distribution of income appears to be less even

§ May exacerbate differences in access to care between rich and poor

§ May lead to perceptions of inequity

Identifying possible changes so Medicare can better serve future beneficiaries

§ Relied on two sources:

§ Expert panel

§ Previous MedPAC work

§ Much overlap between these sources

Facilitate care coordination

- § Care coordination especially beneficial to those with several chronic conditions
- § Important in light of increased prevalence of chronic conditions
- § However, structure of traditional Medicare makes care coordination difficult

Keys to facilitating care coordination

- § Care managers to act as focal point for patients and their providers
- § Information systems to identify patients who would benefit most
- § Incentives for physicians to be part of care coordination team
- § Patients must be engaged in treatment
- § MedPAC (June 2006) has discussed two models that bring these points together

Expand use of information technology

- § IT can improve quality, efficiency, and care coordination
- § IT has been diffusing, but is still not widespread
- § MedPAC (March 2005) considered several options for encouraging use of IT
- § Recommended use of quality measures that are supported by IT in P4P initiatives

Use comparative-effectiveness analyses

- § Comparative effectiveness allows one to compare relative value of different services
- § Can help providers and beneficiaries make well-informed decisions about most effective treatments

Promote healthy lifestyles

- § Panel: Promote lifestyle changes such as diet and exercise to reduce obesity rates
- § Panel thought it important to include population nearing Medicare eligibility in addition to Medicare beneficiaries

Restructure benefits and cost sharing in traditional Medicare

- § Medicare generally considered quite successful for beneficiaries' access
- § However, benefits and cost sharing have unusual structure for current insurance plan
 - § Deductible higher for inpatient care (nondiscretionary) than ambulatory care (discretionary)
 - § No limit on beneficiaries' financial obligations

Possible modifications to cost sharing

- § Single deductible for Part A and Part B
 - § No cost sharing beyond deductible for inpatient care, some additional cost sharing for most other services
 - § Limit extent that supplemental insurance can cover cost sharing
 - § Careful thought to cost sharing because it can strongly affect decisions
- § Limit beneficiaries' financial obligations (stop loss)

Conclusion

- § Identified changes in beneficiaries' characteristics that could affect their needs and preferences
- § Identified several possible changes so that Medicare could better serve future beneficiaries
- § Next steps:
 - § Complete chapter for June 2007 report
 - § Simulate effects of changes to characteristics and Medicare program (2008)