

Medicare 101

Focusing on the Money

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Project HOPE

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“Fast Facts” on Spending



- ◆ Annual Medicare Expenditures

 - \$436 billion in 2007

 - \$850 billion projected in 2017

- ◆ Medicare as share of total Federal spending: 13%

- ◆ Medicare as share of total health spending: 22%

 - 38% of home health, 29% of hospital, 18% of Rx

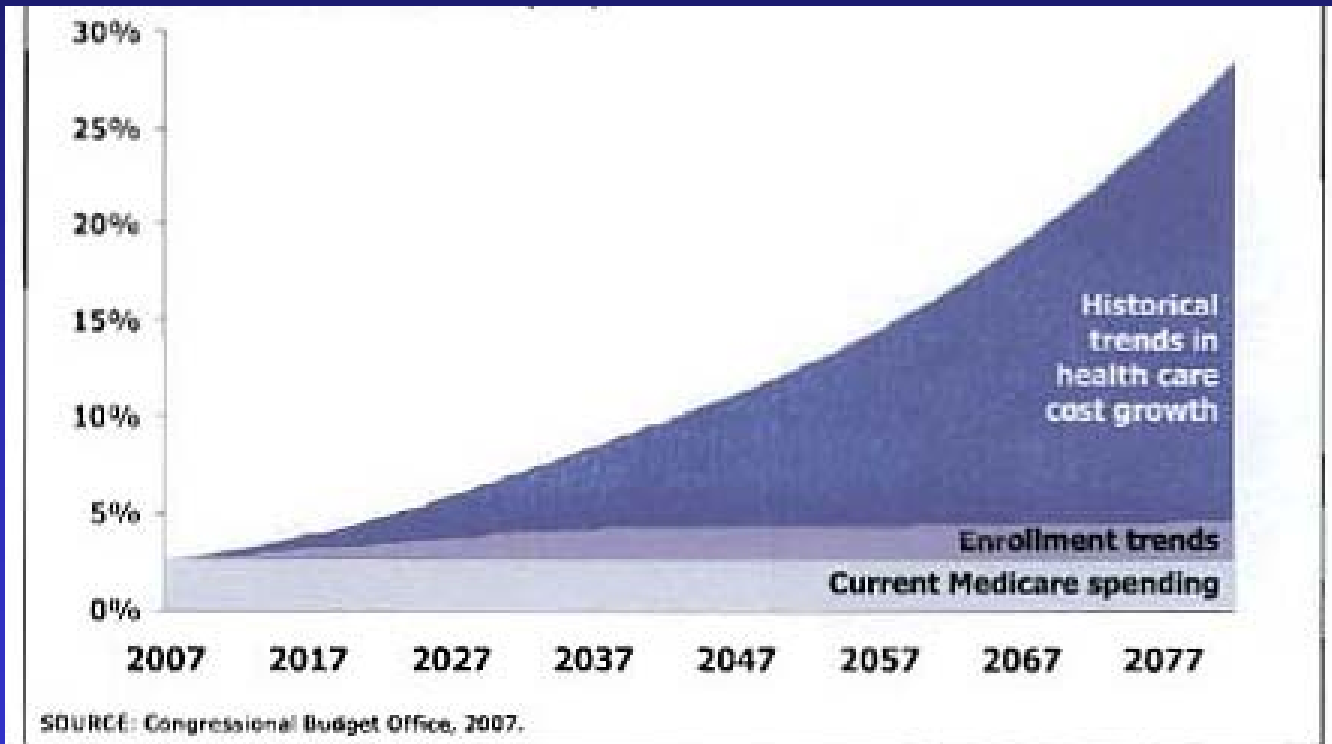
Future Spending



- ◆ Financial assets of HI Trust (Part A)
 - depleted early 2019
 - not an issue for Parts B and D; different funding
- ◆ To fund Part A thru 2080
 - Payroll tax: ↑ 2.9% → 6.44% of earned income
- ◆ Parts B and D – mostly funded by general revenue
 - \$36 trillion in general taxes to fund next 75 years

Effect of Aging on Spending

Medicare outlays
as percent
of GDP



Medicare Bill-Paying



- ◆ Medicare pays bill thru its outside contractors
 - *Fiscal Intermediaries* pay Part A
 - *Carriers* pay Part B
 - Four *Regional Carriers* pay DME
 - *Regional Home Health Intermediaries* pay home health
- ◆ By October 2011, will have *Medicare Adm. Contractors* (MAC)

Most Medicare is Fee-For Service

Most Medicare Payments are Bundled

- ◆ 80% of beneficiaries in “*traditional*” Medicare
- ◆ Most Medicare is FFS
- ◆ Most payments bundled
 - In-patient and out patient hospital
 - Home care
 - Nursing home care

Physician Payments – Not Bundled



- ◆ Paid using RBRVS –
 - Resource Based Relation Value Scale
- ◆ Very *disaggregated*
 - 7,000+ billing codes
- ◆ Used with a spending limit -- “SGR”
- ◆ SGR lowers/raised fees depending on spending

Big problem in Jan 2010!

Physician Payment – Short Term Crisis

- ◆ January 2010: Physician payments ↓ 20%
- ◆ Congress used short term fix to prop up fees
 - last July and previously
- ◆ Need to decide what next
 - individual spending limits?
 - bundled payments like rest of Medicare?

Medicare is Not all Fee For Service

Part C – *Medicare Advantage (MA)*

alternative to “Traditional Medicare”

- uses private health plans -- mainly HMOs; some private FFS
- “generous” payments –
 - excess provided as extra benefits
 - estimates are high as 13% above traditional FFS
 - some debate about role/purpose

Currently 10 million beneficiaries – mostly lower income

Part D – Unique Benefit ...



- ◆ No traditional FFS benefit
- ◆ Outpatient Rx benefit received either as MA or from private drug plan (PDP)
- ◆ 90% now have coverage
- ◆ Lots of debates but current spending much lower than estimated spending
 - “negotiated” prices and reimportation remain hot issues