Better Medicare Cost Sharing
AND
Protecting Low-Income Beneficiaries
(BUT…)

Tom Miller
American Enterprise Institute
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Cost Sharing under Medicare FFS: Structural Shortcomings

- Early-dollar spending misincentives
- Fragments care across the Medicare alphabet
- Inadequate risk protection
- Hard to update & adapt
- Inconsistent low-income protection
Low-Cal Budgetary Diets Leave You Wanting More

• Unlike Coke Zero ad, no “And?” is coming, nor is a “Thank you.”
• But there are better and worse trade offs
  ✓ Cost savings
  ✓ Catastrophic risk protection
  ✓ Low-income subsidies
  ✓ Simplified, integrated structure
Who Should Pay More, or Less?

• Relative, not absolute
• Budget neutrality vs. budget savings
• Clustered income distribution of non-poor old
• Depends on the meaning of “cost shifting”
• Higher premiums, larger OOP, hollowed care?
Bipolar Risk Protection?

- Capping catastrophic risks
- Ensuring primary care and prevention?
- Dollars to donut holes?
- Targeting vs. wider MSP eligibility & enrollments
Possibilities & Practicalities

• Status quo bias
• Rigidity of public program benefits changes
• Restructuring without Part D
• Competition beyond A&B
• Limits on categories and data matching
A Few Small Steps for Cost Sharing, A Giant Leap for Medicare

• Set relative priorities
• One-time reshaping of FFS cost-sharing shell
• Automatic resets
• Limit centralized policy interventions
• Triage targeting
A Slower, but Stronger, Dose

- Income-related OOP stop-loss
- Trade deductibles for higher coinsurance rate
- Regulate, don’t tax, Medigap
- Use a reasonable range of income-based tiers
- Actuarial equivalence, supplemental premiums for MA, FFS+
- Low-income assistance beyond benefits structure