



*Advising the Congress on Medicare issues*

# Context for Medicare policy

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# Rising health care costs for all payers

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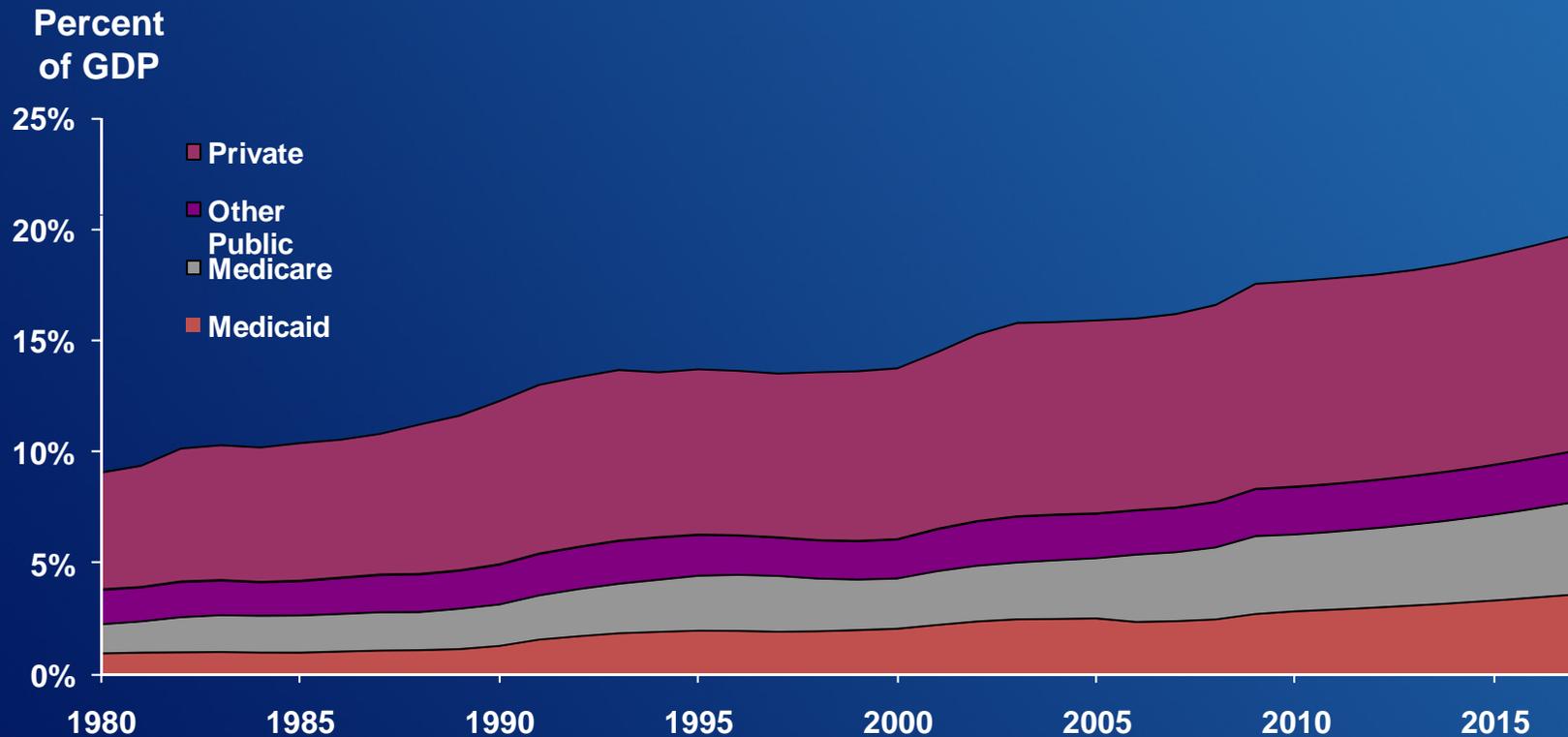
- Rate of increase has exceeded GDP growth.

Payer	Per capita growth in excess of GDP, 1975-2005 (percentage points)
Medicare	+2.4
Fed. share of Medicaid	+2.2
All others	+2.0

Source: CBO 2007

- Excess growth is projected to continue in the future.

# Health care will consume a growing share of Gross Domestic Product

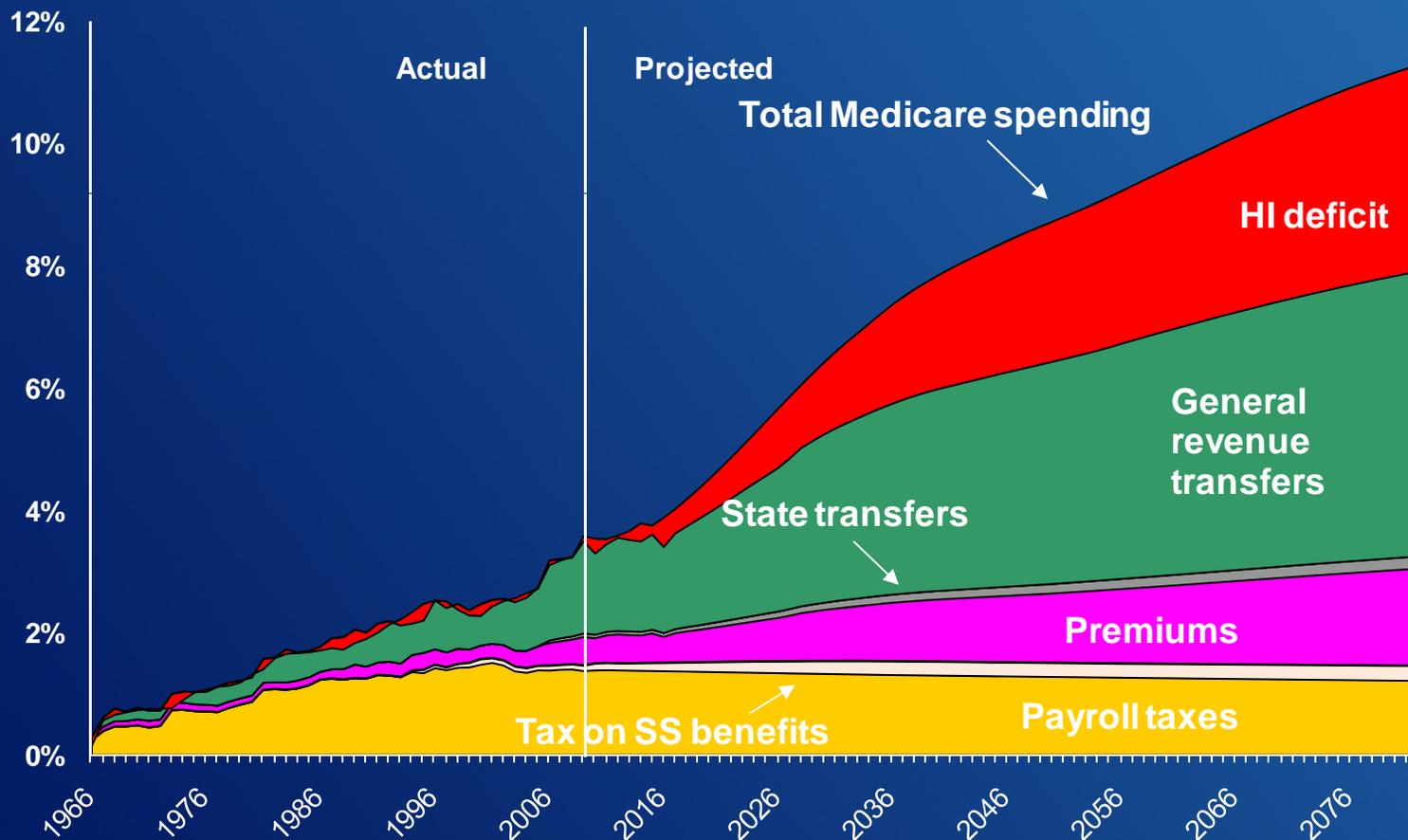


Source: National Health Expenditure Accounts 2009

Note: Medicaid spending includes both state and federal expenditures. Private includes out of pocket expenditures.

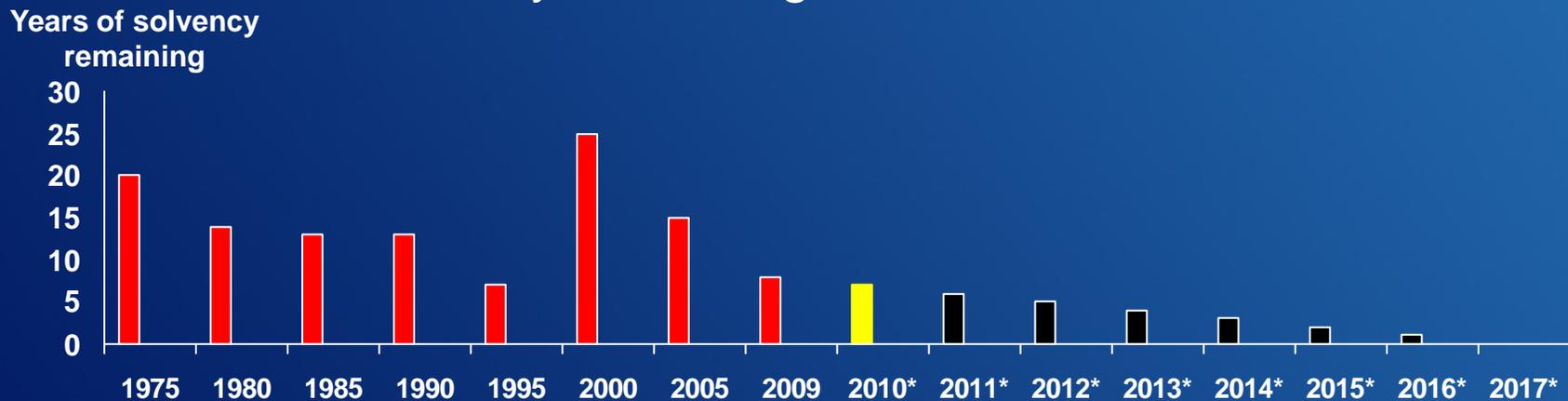
# Medicare expenditures will exceed dedicated resources

Percent of GDP



# Annual revenues are not covering expenses for Hospital Insurance Trust Fund

- Annual expenditures exceed annual income beginning in 2008.
- Years of solvency remaining continues to decline.



Source: Office of the Actuary; intermediate projections of Medicare Trustees Reports 1970-2009 ;2010 and later are estimated based on insolvency date of 2017.

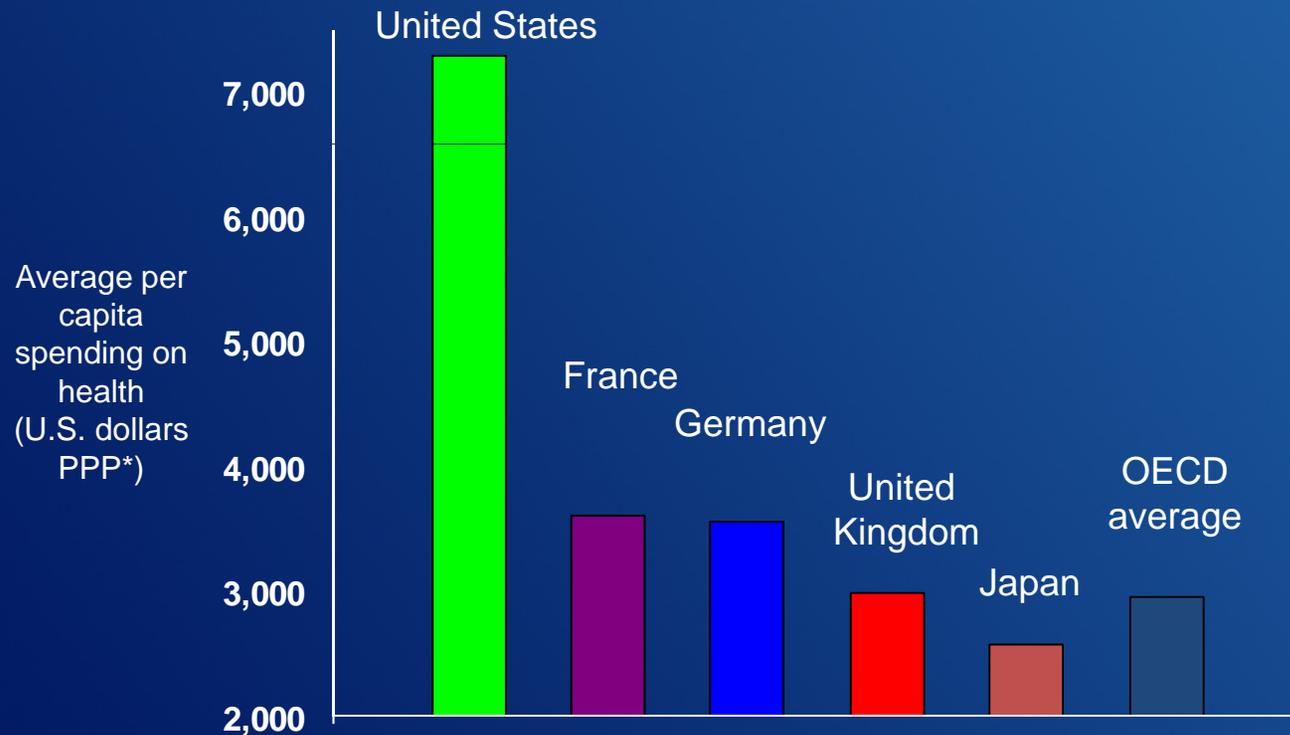
- Size of payroll tax-paying workforce will decline relative to number of enrollees.

# Major factors in the growth of health care spending

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- Technology
- Income
- Insurance
- Prices
- Changes in longevity and demographics
- Changes in health status
- Organization of delivery system

# U.S. spends more per capita than international peers in 2007



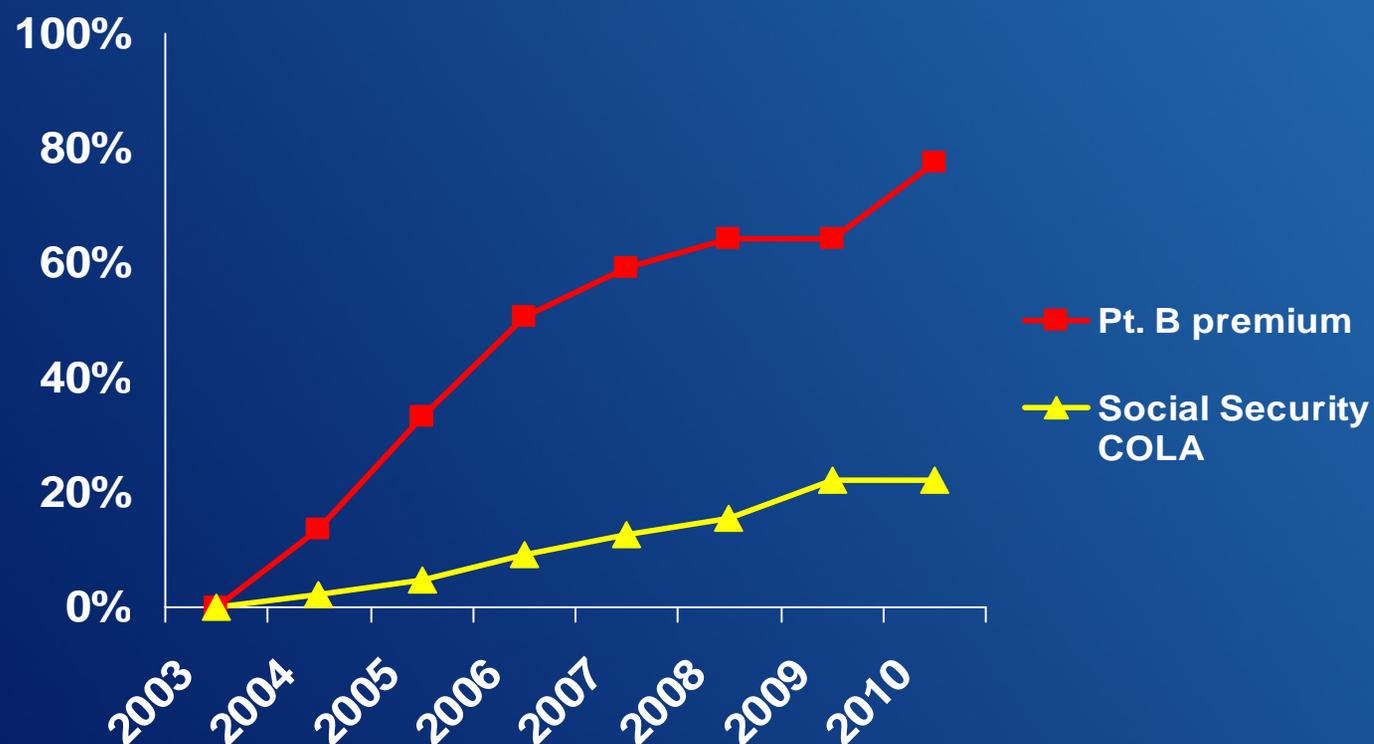
## Quality of care in U.S. suggests not all health care spending is valuable

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- Many recommended services are not provided to patients (McGlynn).
- International comparisons are mixed, but lower spending countries have better quality on some measures.
- Higher spending does not always yield better quality.
- Differences in health care access and quality among populations, including Medicare beneficiaries.

# Medicare beneficiaries are already facing growing financial liability

Cumulative percent change



Note: COLA (cost-of-living adjustment).

Source: Social Security Administration and Medicare trustees' report.

# Rising Medicare costs raise issues for beneficiaries and policymakers

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- 75 percent of beneficiaries will not pay a higher premium in 2010 due to the “hold-harmless” provision.
- 25 percent of beneficiaries will pay a higher premium to compensate for cost of revenue lost from hold harmless.

# Seeking Better Value for Medicare

## - *Price accuracy and equity*

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### *Problems*

- High costs and rapid cost growth
- High utilization of services (esp. costly services) and rapid volume growth

### *Directions for Reform*

- Fiscal pressure on providers to constrain costs
- Price accuracy for physician, hospital, and imaging services
- Measuring resource use

# Seeking Better Value for Medicare

## - *Quality and coordination*

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### *Problems*

- No incentive for coordination
  - Providers paid in silos
  - No longitudinal accountability
- No penalties for poor quality or rewards for good quality
- High utilization of services

### *Directions for Reform*

- Payments for primary care
- Medical home
- Pay for performance
- Target readmissions
- Bundled payments
- Accountable Care Organizations
- Gainsharing
- Quality standards for imaging services

# Seeking Better Value for Medicare

## - *Information for patients and providers*

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### *Problems*

- No information on what works
- No transparency on financial relationships that influence practice patterns

### *Directions for Reform*

- Public reporting of quality
- Comparative effectiveness research
- Disclosure of physician financial relationships

# Conclusion and Discussion

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- Discussion: Are there other aspects of reform, fiscal or economic challenges to include in chapter?