



Advising the Congress on Medicare issues

Using premium support in Medicare

Eric Rollins
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Overview of today's presentation

- Review the draft chapter on premium support that will appear in the June 2017 report
 - Chapter discusses key issues to consider if policymakers decided to use premium support
- Present new material on premium subsidies for low-income beneficiaries
- Topics for discussion

Draft chapter was developed through multiple Commissioner discussions

- The Commission has devoted four sessions to premium support during this meeting cycle
 - October 2016: incorporating quality
 - November 2016: benchmarks, premiums, and options for mitigating premium increases
 - March 2017: standardization
 - March 2017: potential effects of premium support
- Draft chapter consolidates the material from these sessions and reflects Commissioner discussions

Key issues to consider:

The role of FFS and standardization

- The FFS program should remain available and be treated like a competing plan
- Some use of standardization (like a standard benefit package) would help beneficiaries understand their options
- Plan flexibility to use alternate forms of cost sharing and offer extra benefits
- Beneficiaries would need better decision support tools to make informed choices

Key issues to consider: Benchmarks and premiums

- Use competitive bidding to set benchmarks
 - Should reflect the middle of the distribution of bids
- Use local health care markets as bidding areas due to geographic variation in spending
- Base premium should be similar to Part B premium (~13% of total Part A and B costs)
- Medicare subsidy and beneficiary premiums should grow as a function of plan bids
- Discussion of ways to mitigate large increases in beneficiary premiums

Key issues to consider:

Quality of care and potential effects

- Quality would be promoted through minimum standards for plans and public reporting of quality data, and perhaps financial rewards
- Potential effects of premium support
 - Some beneficiaries would switch to lower-cost plans, but extent of switching is unclear
 - Plan decisions to participate in specific markets
 - Plans would likely submit somewhat lower bids
 - Effects are highly uncertain – would vary across areas and depend on specifics of premium support

New material: premium subsidies for low-income beneficiaries

- Premium subsidies help ensure that low-income beneficiaries can obtain coverage
 - Medicare Savings Programs (MSPs)
 - Part D low-income subsidy (LIS)
- Role of MSPs under premium support would need to be reassessed
- Three major issues to consider
 - Eligibility rules for premium subsidies
 - Amount of premium subsidy
 - How federal gov't and states finance subsidies

Eligibility rules for premium subsidies

- MSPs and LIS both require beneficiaries to have low income and low assets
 - MSP has somewhat less generous eligibility limits
 - Commission has recommended raising MSP limits
- Several factors should be weighed in setting eligibility rules under premium support
 - Share of Medicare population that would qualify
 - Medicare subsidy and beneficiary premiums
- Enrollment process (how to apply) would also need to be specified

Amount of premium subsidy

- Full subsidy of any premium would remove incentive to enroll in less costly coverage
- LIS limits dollar amount of premium subsidy
 - Enrollees pay no premium for plans with lower premiums (zero-premium plans)
 - Enrollees pay difference for plans with higher premiums
- Higher limit would give subsidy enrollees more choices but increase subsidy costs
- FFS would not be a zero-premium option in many areas

Financing premium subsidies as a Medicaid benefit

- Subsidies could either be part of Medicaid (like MSPs) or part of Medicare (like LIS)
- If subsidies were a Medicaid benefit, federal gov't and states would share costs
 - Federal gov't now pays ~61% of MSP costs
 - Expanded eligibility for subsidies could be combined with a higher federal match rate
- Overall impact on state budgets is difficult to predict, would depend on many factors

Financing premium subsidies as a Medicare benefit

- Replacing the MSPs with a Medicare benefit would increase federal spending and reduce state Medicaid spending
- Higher federal spending could be partly offset by state maintenance-of-effort payments
- Increase in federal costs could be much higher if MSP cost-sharing subsidies were also converted into a Medicare benefit

Topics for discussion

- Comments on the draft chapter
- Views on key issues involved in developing a system of premium subsidies
 - Eligibility rules for premium subsidies
 - Amount of premium subsidy
 - How federal gov't and states finance subsidies
- Possible areas for future Commission work on premium support