



Advising the Congress on Medicare issues

The next generation of Medicare beneficiaries

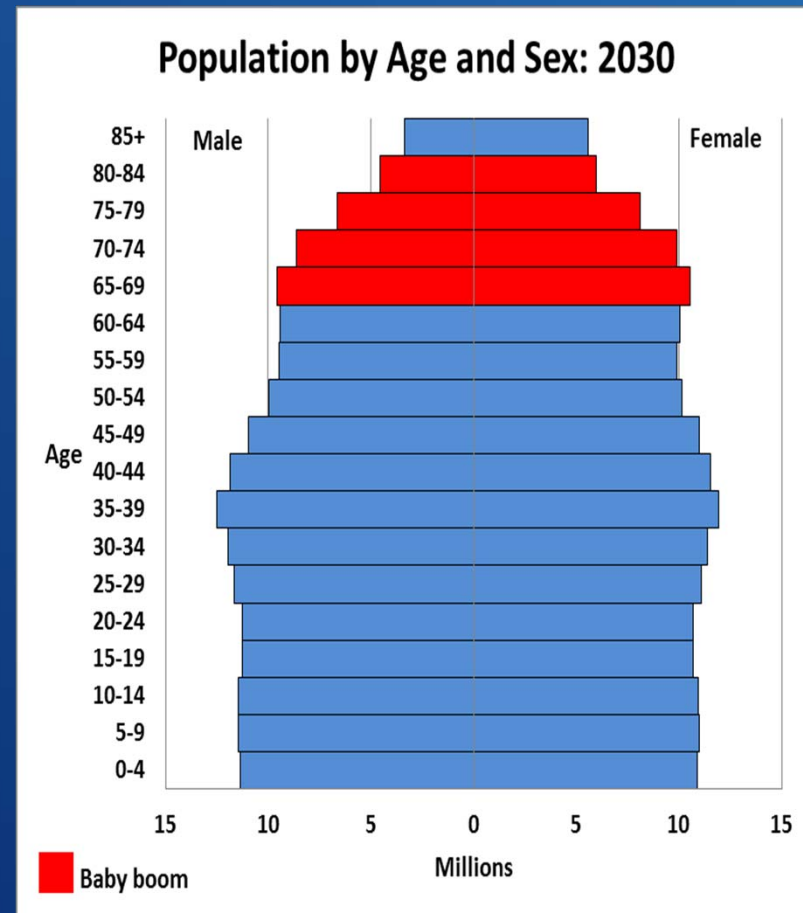
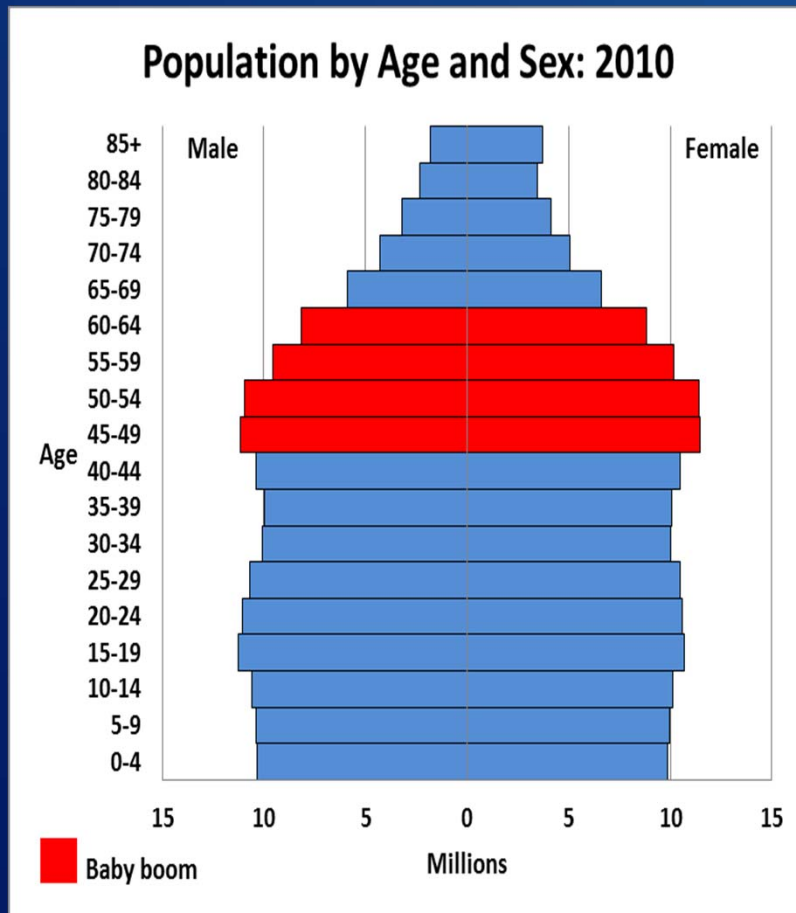
Julie Somers and Kate Bloniarz

October 9, 2014

Today's presentation

- Baby boomers' affect on age distribution
- Racial and ethnic diversity
- Life expectancy and health
- Projected enrollment in private plans
- Past experience with insurance coverage
- Income, assets, and wealth

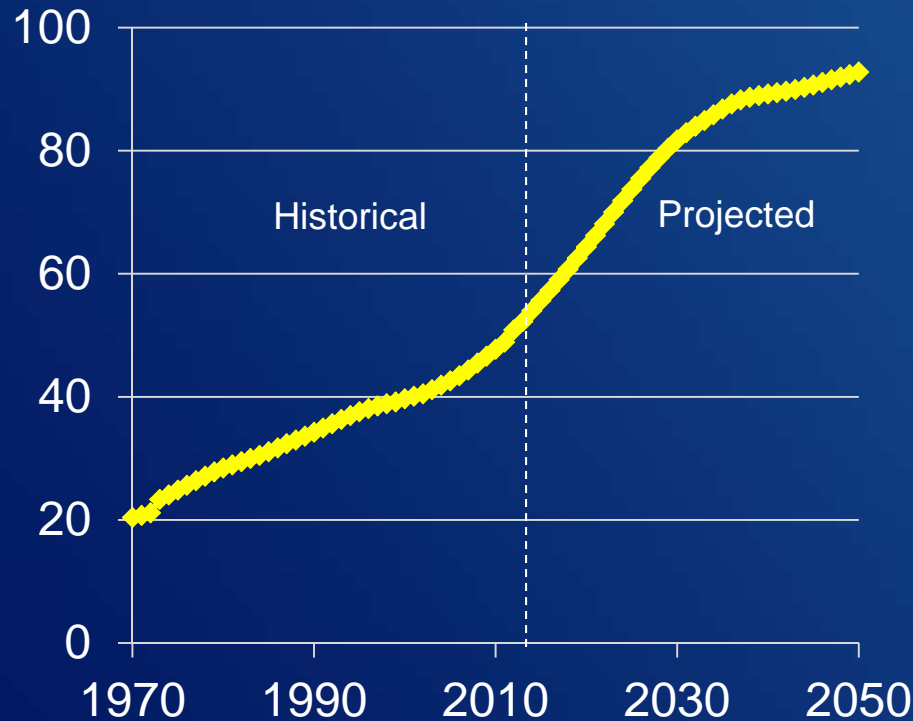
Baby boomers' aging contributes to rapid population aging



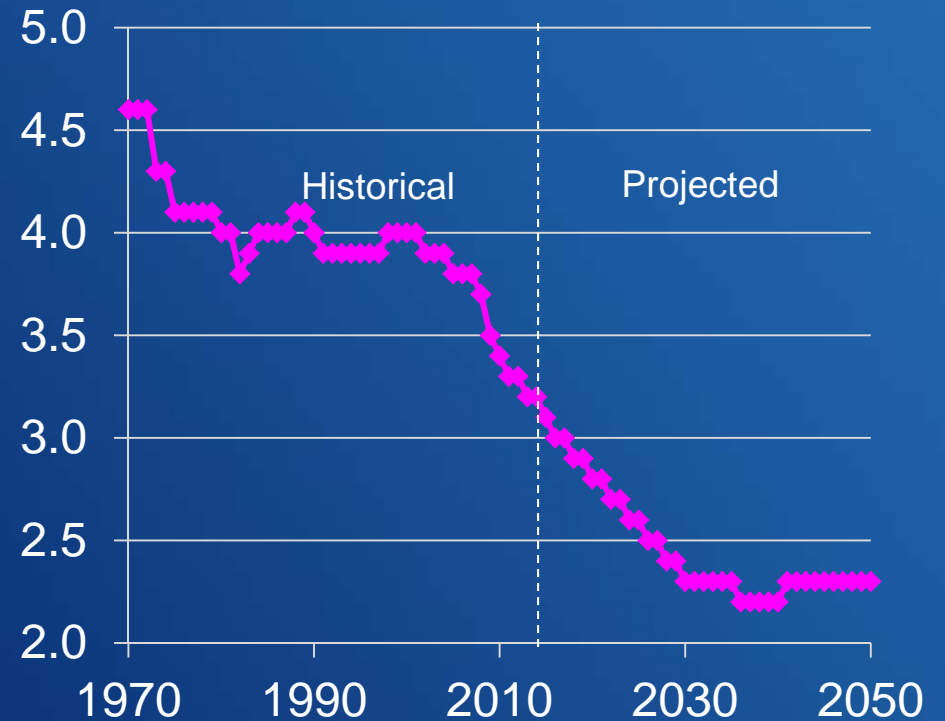
Medicare enrollment projected to grow rapidly

Workers per HI beneficiary projected to decline

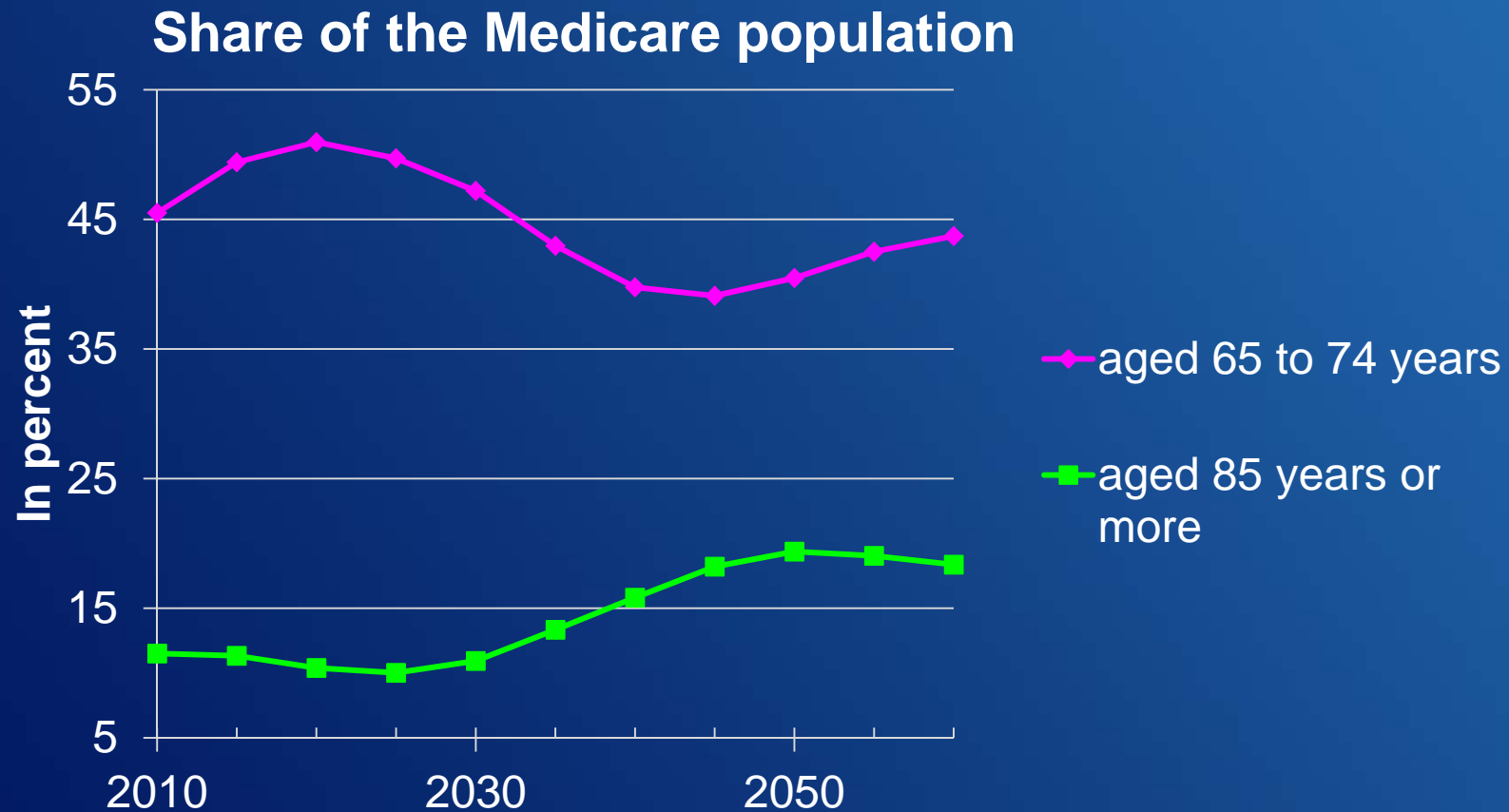
Medicare enrollment (in millions)



Workers per HI beneficiary

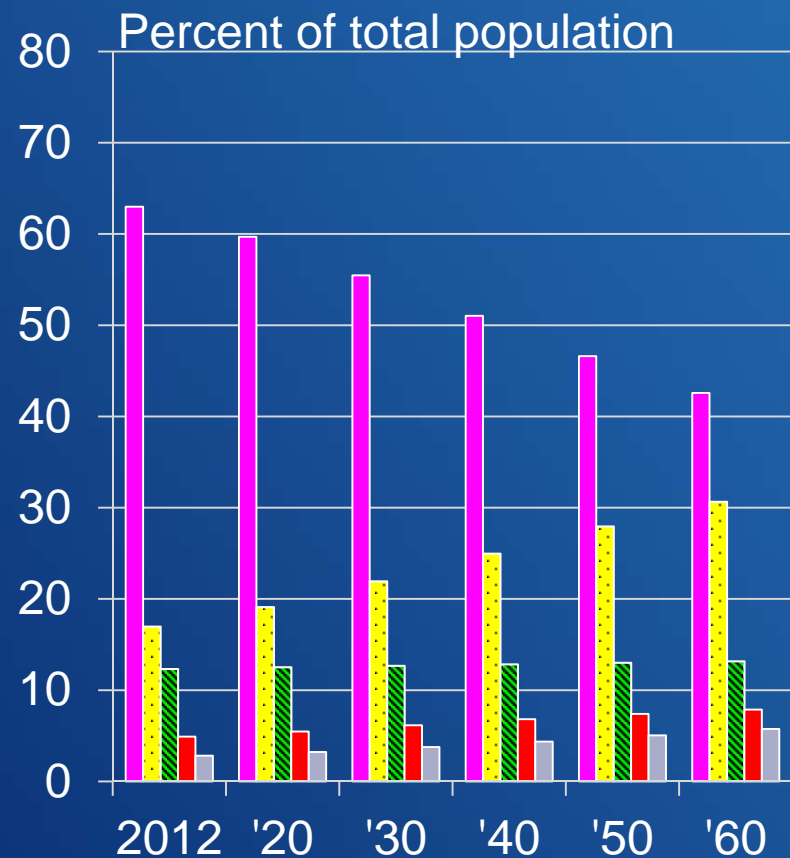
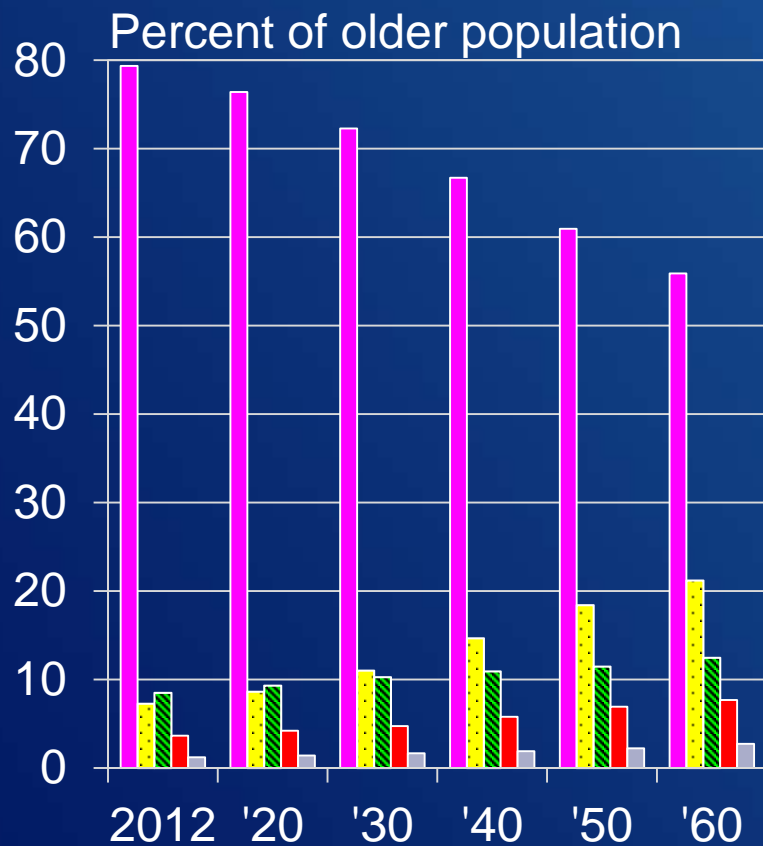


The Medicare population will become younger and then older



The older population (aged 65+) is less racially and ethnically diverse than the total population

■ White
 ■ Hispanic
 ■ Black
 ■ Asian
 ■ All other

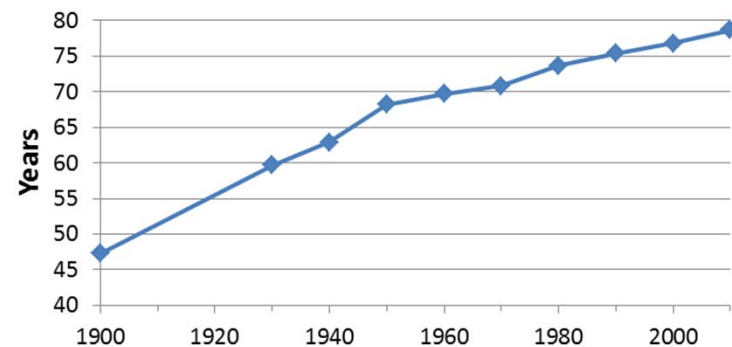


Note: "All other" includes American Indian and Alaska Native and Multiracial.
 Source: Census Bureau, 2012 National Population Projections.

Health of baby-boomers: Indicators are mixed

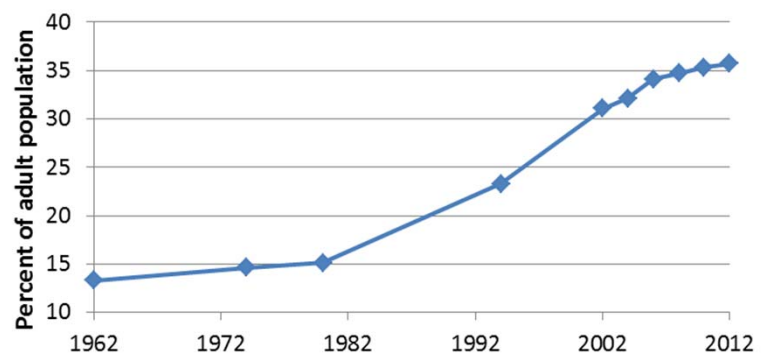
- Positive indicators
 - Higher life expectancies
 - Lower rates of smoking
- Negative indicators
 - Higher rates of obesity
 - Higher rates of diabetes

Life expectancy at birth, 1900 - 2010



Source: U.S. Census Bureau 2014.

Obesity among adults, 1962 - 2012

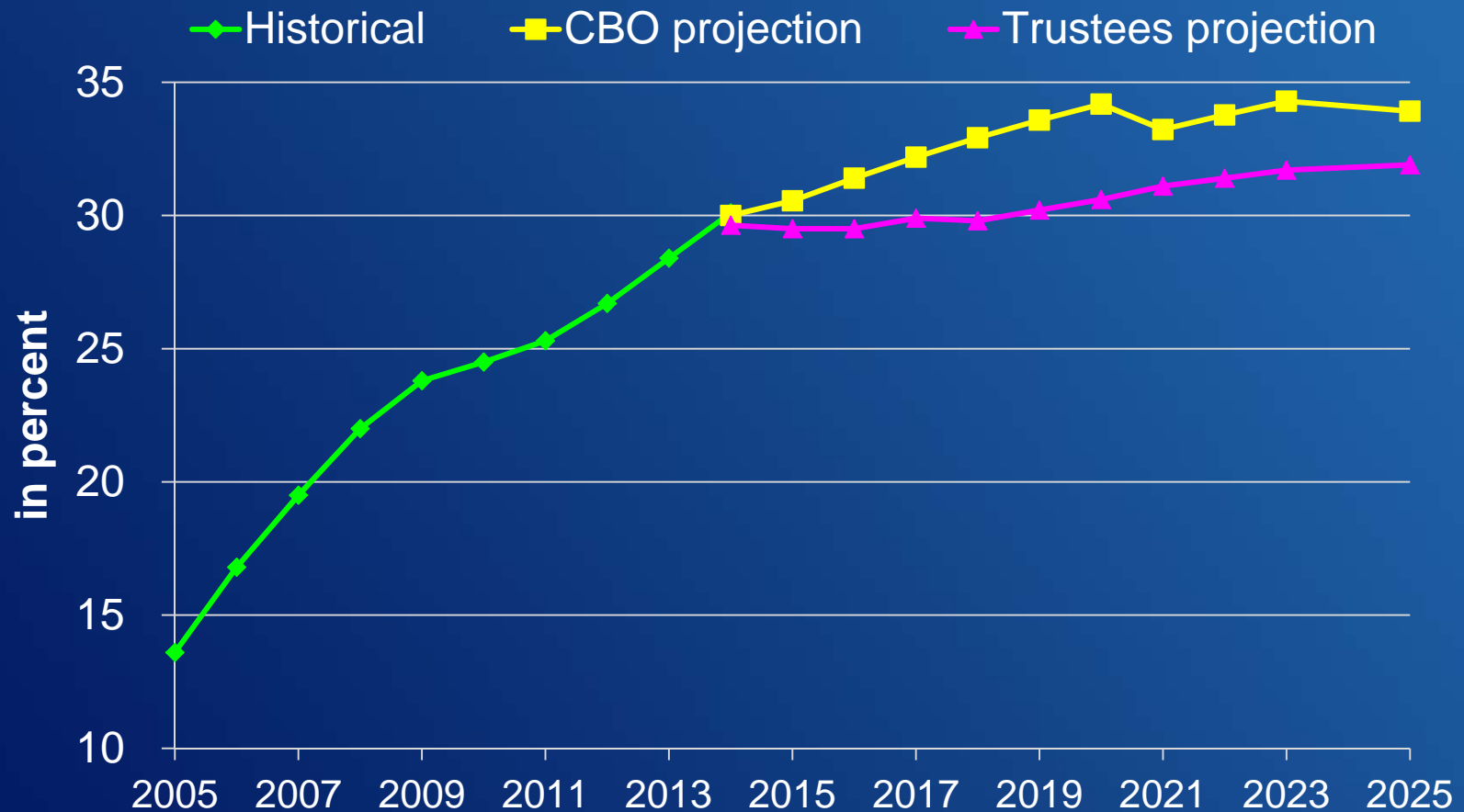


Source: National Center for Health Statistics 2014.

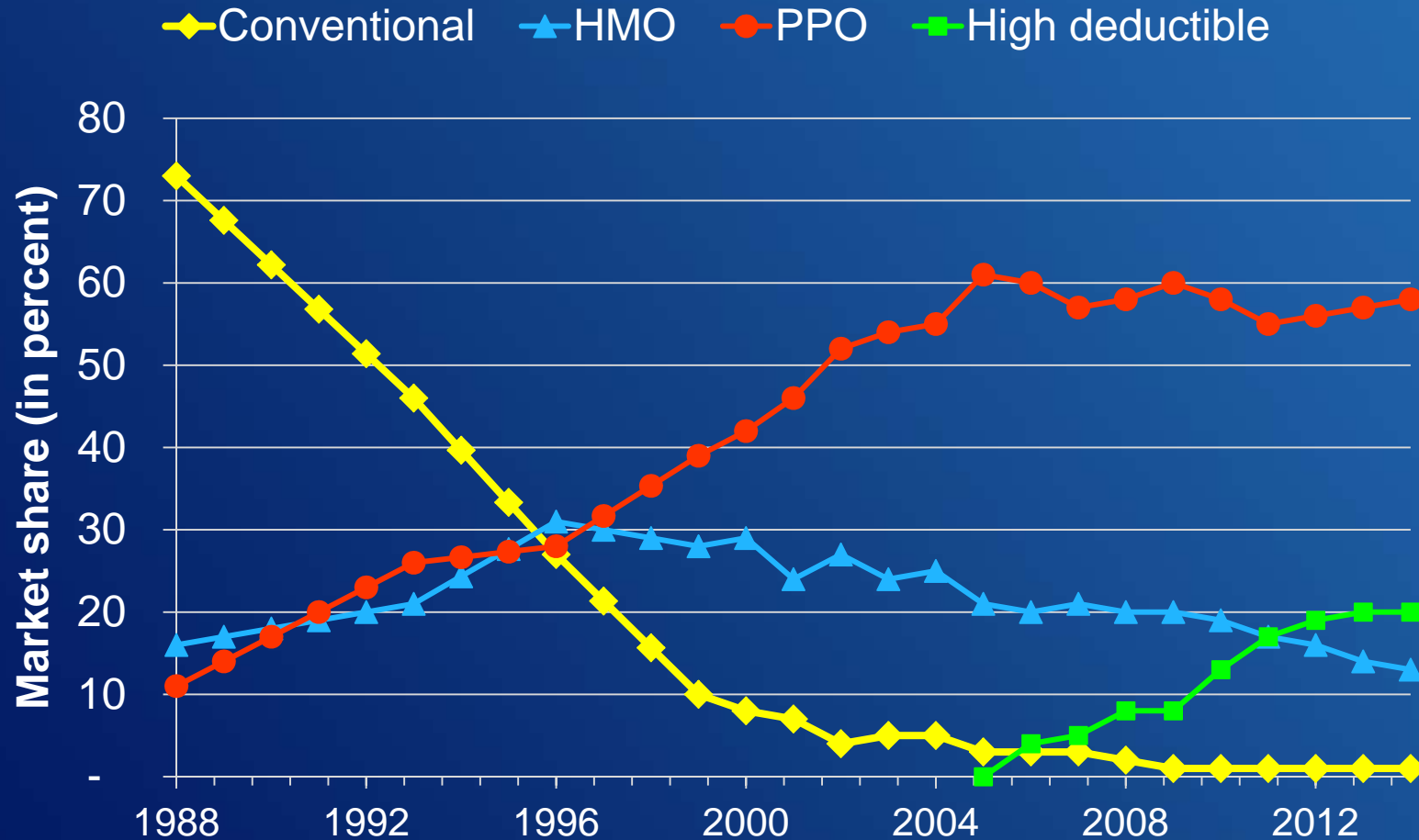
Health of baby-boomers: Indicators are mixed (continued)

- Other indicators less clear
 - Cancer, hypertension and high cholesterol — rates may have increased
 - Heart disease and stroke — rates may be stable
- Higher rates could be result of
 - Increased use of diagnostic testing
 - More aggressive and expansive treatment practices
- Some diseases and chronic conditions lead to higher spending, others do not

Share of beneficiaries in private health plans projected to continue to rise, although at slower rates



Baby boomers experienced the decline of conventional plans and the rise and fall of managed care



Notes: PPO (preferred provider organization), HMO (health maintenance organization), and POS (point-of-service).
Source: Kaiser/HRET Employer Health Benefits Survey 2014.

Other evidence on health plan preferences of future beneficiaries

MedPAC's focus groups

Out-of-pocket costs, access to current physicians, and adequacy of provider network are main factors when choosing a health plan

MedPAC's interviews with brokers

While some beneficiaries are willing to tradeoff lower MA premiums for narrow provider networks, many still prefer Medigap to avoid provider networks

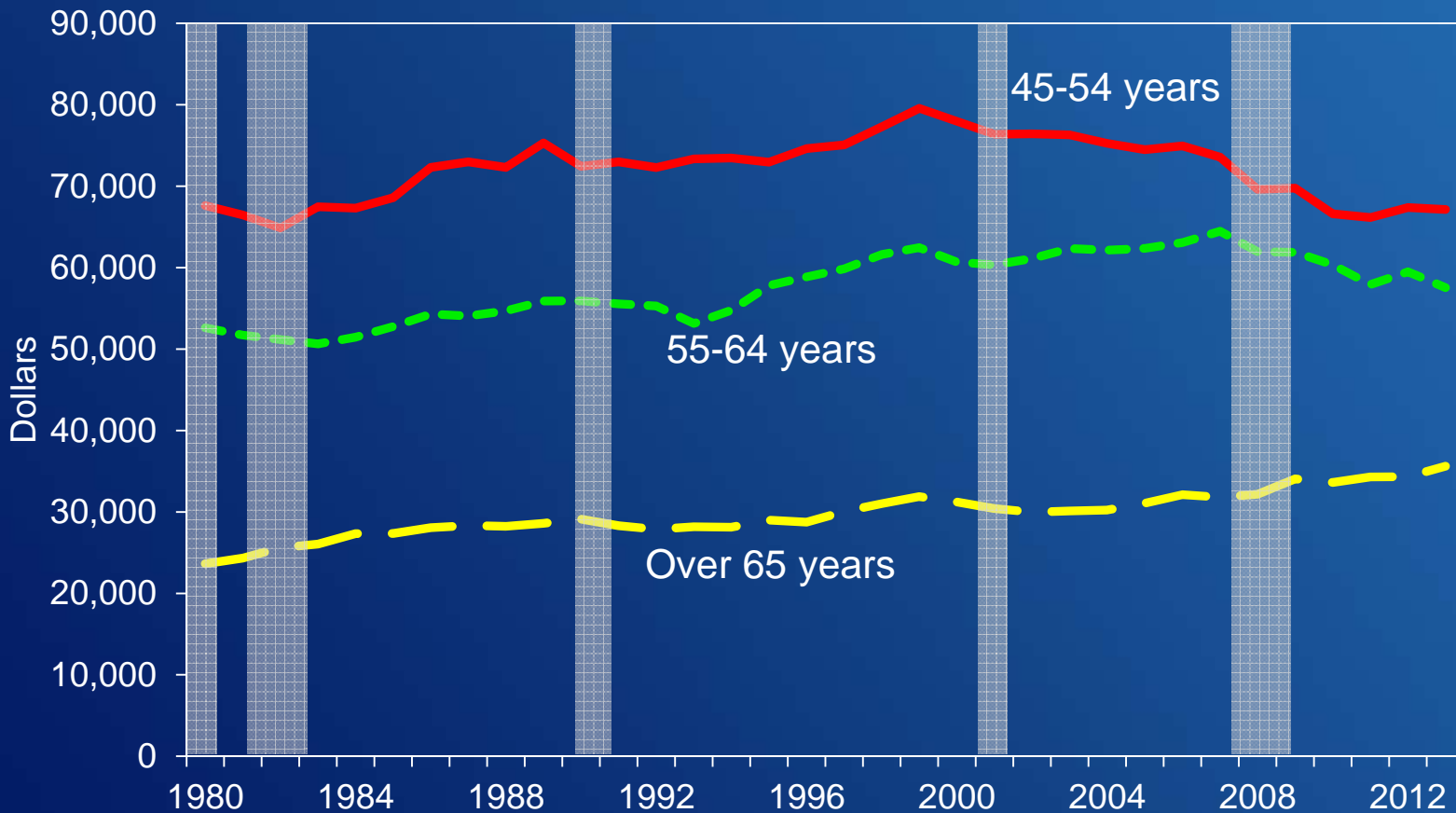
California Medicare CHAT Collaborative (MedCHAT)

Participants supported provider networks and limited coverage for “low-value” care in exchange for a better benefits package (e.g., coverage for long-term care, transportation, dental and vision.)

Share of beneficiaries with employer retiree health coverage likely will continue to decline

- Current beneficiaries
 - Share with employer retiree health coverage declined from 35% in 1996 to 26% in 2011
- Future beneficiaries
 - Share of employers offering retiree health coverage has declined over the last decade impacting future retirees

Income growth over the past three decades has been modest

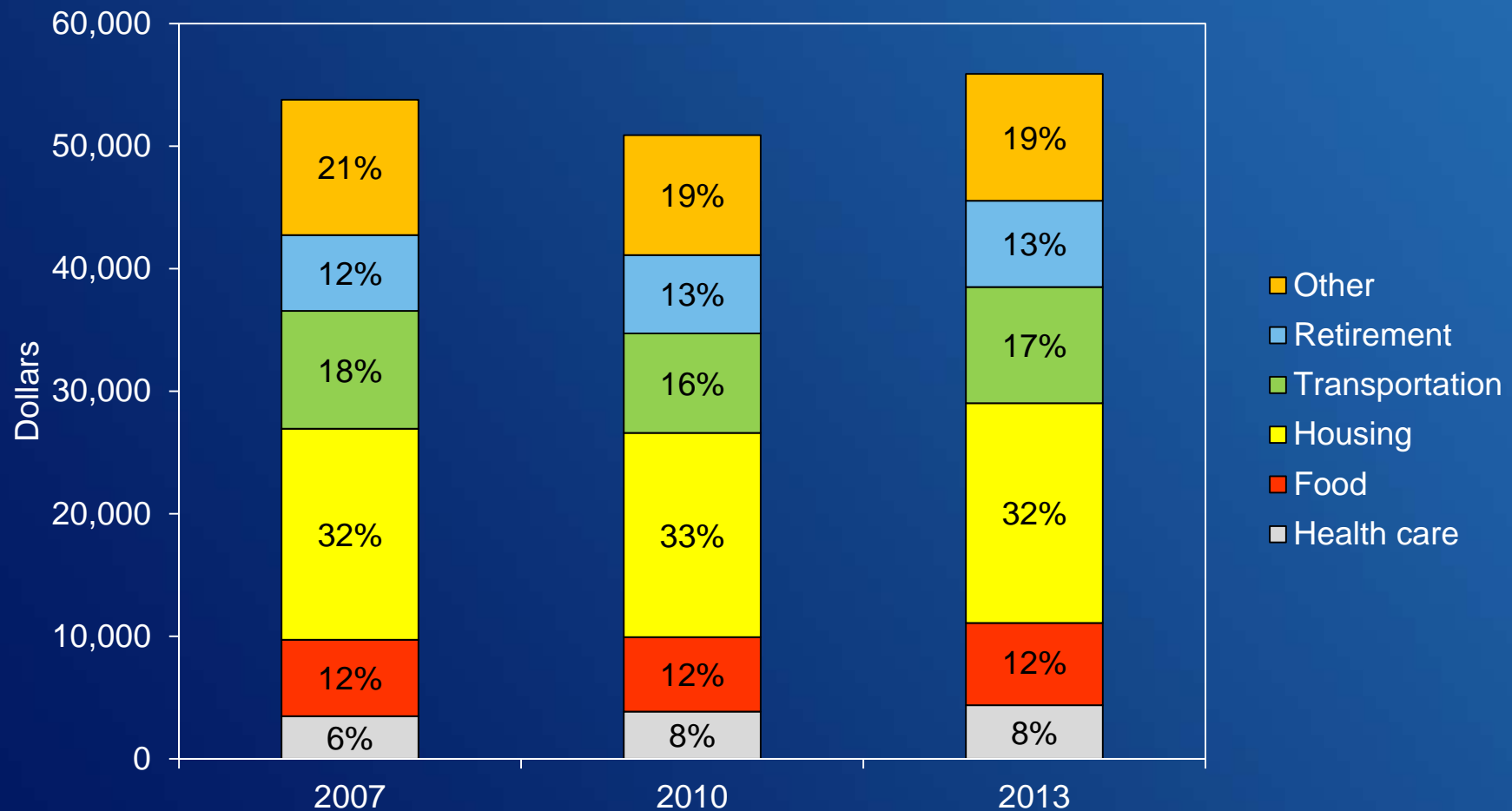


Note: In 2013 dollars. Shading indicates economic contractions.
Source: Census Bureau

Effect of the recent recession

- Recent recession characterized by housing, employment and stock market declines
 - Household net worth still a third below 2007 level
- Households nearest retirement
 - Some unique challenges: Less time to recover before retirement, higher asset values, high unemployment
 - But less likely than younger households to experience multiple shocks (foreclosure, unemployment)
- While GDP has recovered to its pre-recession levels, consumer confidence is still low

Households age 55-64 reduced spending, but less so on health care



Trends in near term

- Rapid growth in the number of beneficiaries
- New beneficiaries will have experienced the decline of indemnity plans and the rise of PPOs
- New beneficiaries will have greater longevity on average, but potentially higher disease burden due to obesity and related diseases
- Recent recession has worsened some near-retirees' financial well-being

Trends in longer term

- Increase in the share of beneficiaries in the oldest age categories
- Increase in diversity of the Medicare population
- Some workers will have experience with narrower-network insurance plans, high-deductible plans
- Less employer retiree coverage