



*Advising the Congress on Medicare issues*

# Reforming Medicare's benefit design

Joan Sokolovsky, Julie Lee, and Scott Harrison

October 7, 2011

# Context for reforming Medicare's benefit design

---

- FFS benefit design has no limit on cost-sharing liability
- Cost-sharing requirements are uneven and vary by site of care
- Premiums for supplemental coverage are often expensive and vary widely
- Supplemental insurance masks price signals and leads to higher use of services

# Outline of today's presentation

---

- Beneficiary and near-beneficiary perspectives on benefit design
- Alternative benefit packages
- Next steps for November

# How current and near beneficiaries think about benefit design

---

- Focus groups held in Bethesda, Dallas, and Boston
- 13 groups of beneficiaries and near beneficiaries
- Participants had a range of health insurance arrangements and incomes
- Participants discussed how they make insurance decisions and what tradeoffs they would consider

# Beneficiaries and near beneficiaries had different perspectives

---

- They tended to evaluate alternatives in terms of their current insurance and health status
- Medicare beneficiaries with supplemental coverage tended to see any change as a loss
- Near beneficiaries were more likely to consider tradeoffs

# Participants value certainty in making insurance decisions

---

- All participants were enthusiastic about an OOP cap on spending
- Fear of unknown liabilities was a motivation for buying supplemental coverage
- They did not like co-insurance but accepted known copays
- All familiar with deductibles and provider networks

# Current cost-sharing requirements

---

- Deductibles
  - Part A: \$1132
  - Part B: \$162
- Copayments on hospital and SNF services
- 20% coinsurance on most Part B services
- No cost sharing on some services

# Medicare cost-sharing liability in 2009

Amount of cost-sharing liability per beneficiary	Percent of FFS beneficiaries	Average amount of cost sharing per beneficiary
\$0	6%	\$0
\$1 to \$135	3%	\$85
\$136 to \$499	34%	\$289
\$500 to \$999	19%	\$713
\$1,000 to \$1,999	16%	\$1,455
\$2,000 to \$4,999	16%	\$3,046
\$5,000 to \$9,999	4%	\$6,864
\$10,000 or more	2%	\$15,526

Note: Amounts reflect cost sharing under FFS Medicare—not what beneficiaries paid out of pocket. Most beneficiaries have secondary insurance that covers some or all of their Medicare cost sharing. Beneficiaries included in this analysis were enrolled in both Part A and Part B for the full year and not enrolled in private Medicare plans.

Source: MedPAC based on data from CMS.



# Alternative benefit packages

Benefit design	Coinsurance package	MA – neutral package	MA – plus package
OOP maximum	\$5000	\$5000	\$5000
A & B deductible	\$500	\$750	\$500
Hospital	20%	\$600 per stay	\$600 per stay
Physician	20%	\$20 per visit	\$20 per visit
Outpatient	20%	\$100 per visit	\$100 per visit
SNF	20%	\$100 per day	\$100 per day
DME	20%	20%	20%
Hospice	20%	0%	0%
Home health	20%	5%	5%

# New database for modeling benefit changes

---

- CMS administrative data includes:
  - Medicare parts A and B, MA, and retiree drug subsidy status
  - Medicaid, and LIS status
  - Supplemental coverage that coordinates with Medicare FFS cost sharing
  - Demographic and risk score data
- CMS claims history data includes:
  - Summary of Medicare reimbursements and beneficiary liability for seven types of service
  - Summary of utilization for four types of service

# Distribution of Medicare cost-sharing liability under alternative benefit packages, 2009

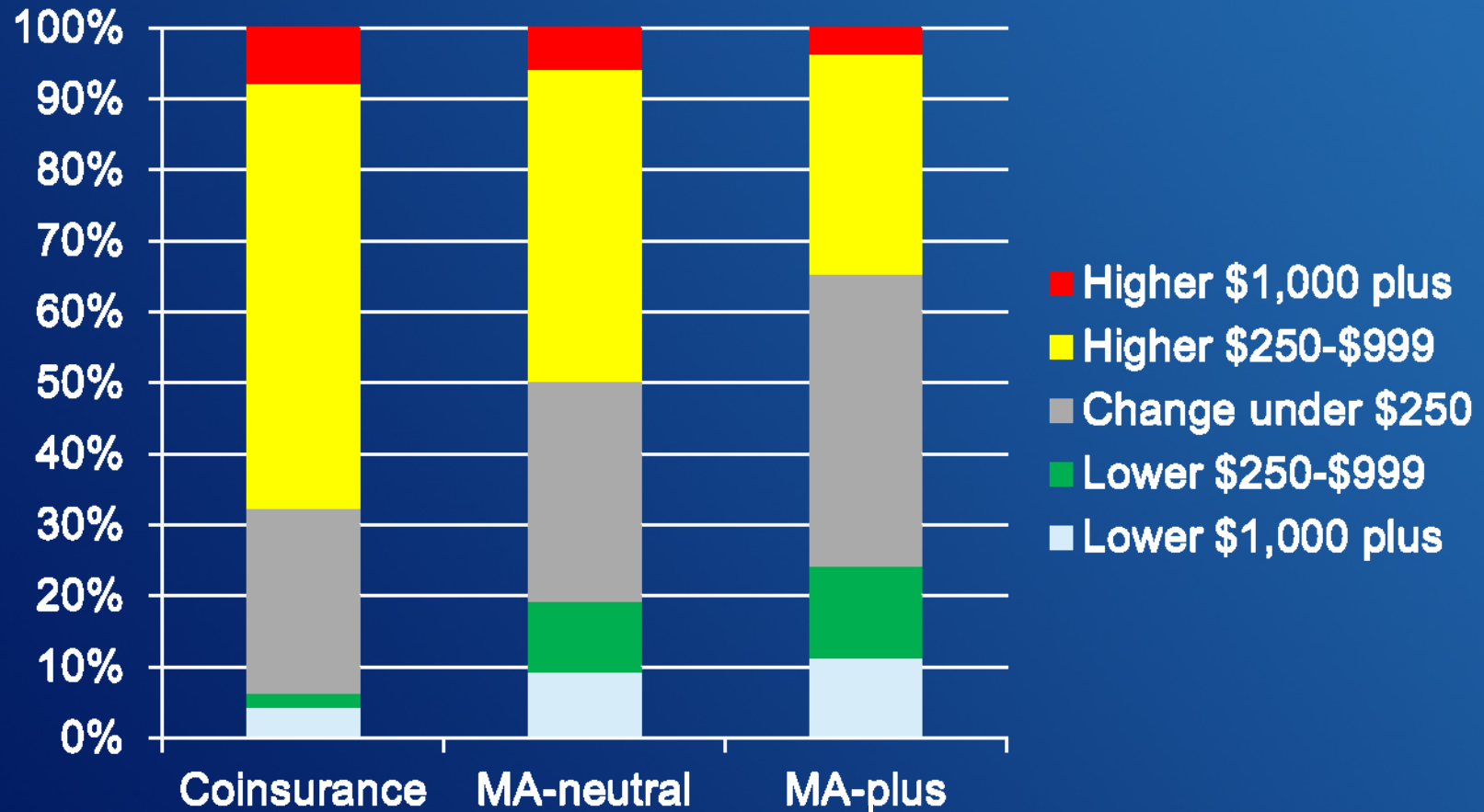
Cost-sharing liability per beneficiary	Percent of FFS beneficiaries			
	Current law	Coinsurance package	MA-neutral package	MA-plus package
\$0	6%	5%	5%	5%
\$1 to \$499	38	11	11	16
\$500 to \$1,999	35	59	66	64
\$2,000 to \$4,999	16	14	15	12
\$5,000 to \$9,999	4	10*	3*	3*
\$10,000 or more	2	0	0	0
Average	\$1,350	\$1,550	\$1,300	\$1,150
Median	\$600	\$900	\$1000	\$800

\* Share of beneficiaries here has cost-sharing liability of exactly \$5,000.

Note: FFS (fee for service). Beneficiaries included in this analysis were enrolled in both Part A and Part B for the full year and not enrolled in private Medicare plans.

Source: MedPAC based on data from CMS.

# Changes from current law in cost-sharing liability under alternative benefit packages, 2009



Note: Beneficiaries included in this analysis were enrolled in both Part A and Part B for the full year and not enrolled in private Medicare plans and Medicaid.

Source: MedPAC based on data from CMS.

# Next steps in November

---

- Add effects of supplemental coverage to our model
- Model the effects of design changes on beneficiaries with different demographics
- How to refine our analysis of alternative benefit packages – currently deductible/copays/OOP max
- Other benefit designs to consider