



*Advising the Congress on Medicare issues*

# The next generation of Medicare beneficiaries

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October 9, 2014

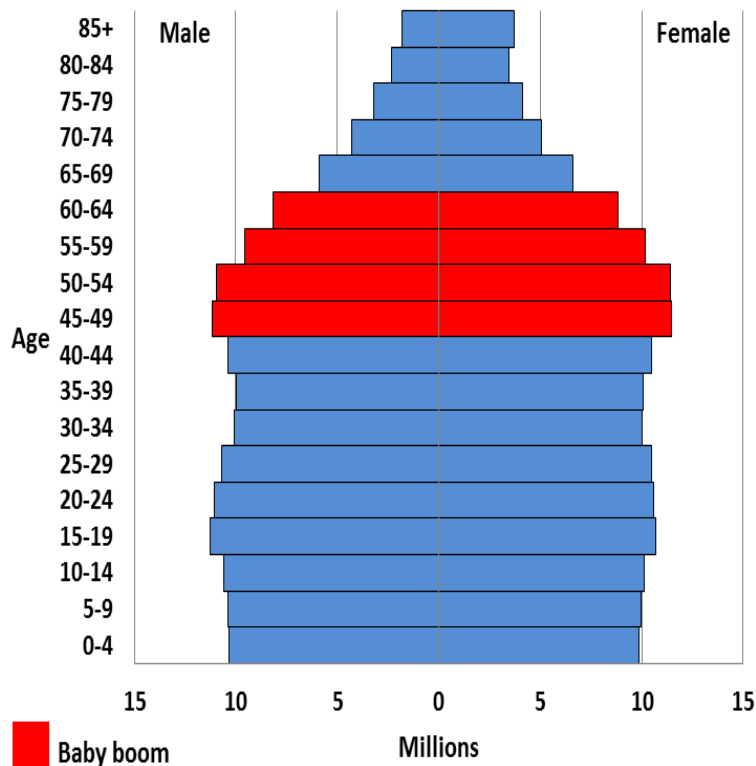
# Today's presentation

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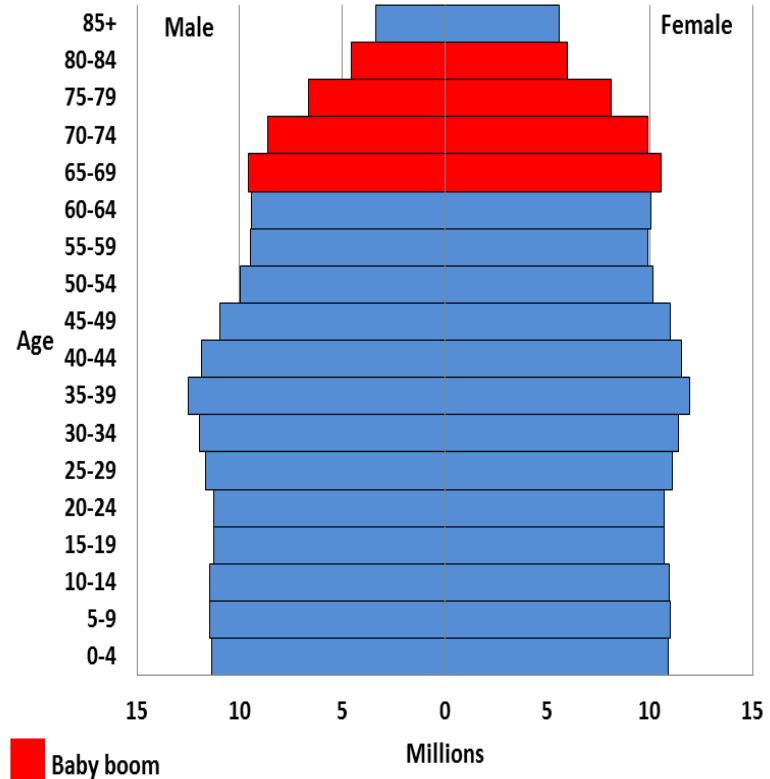
- Baby boomers' affect on age distribution
- Racial and ethnic diversity
- Life expectancy and health
- Projected enrollment in private plans
- Past experience with insurance coverage
- Income, assets, and wealth

# Baby boomers' aging contributes to rapid population aging

Population by Age and Sex: 2010



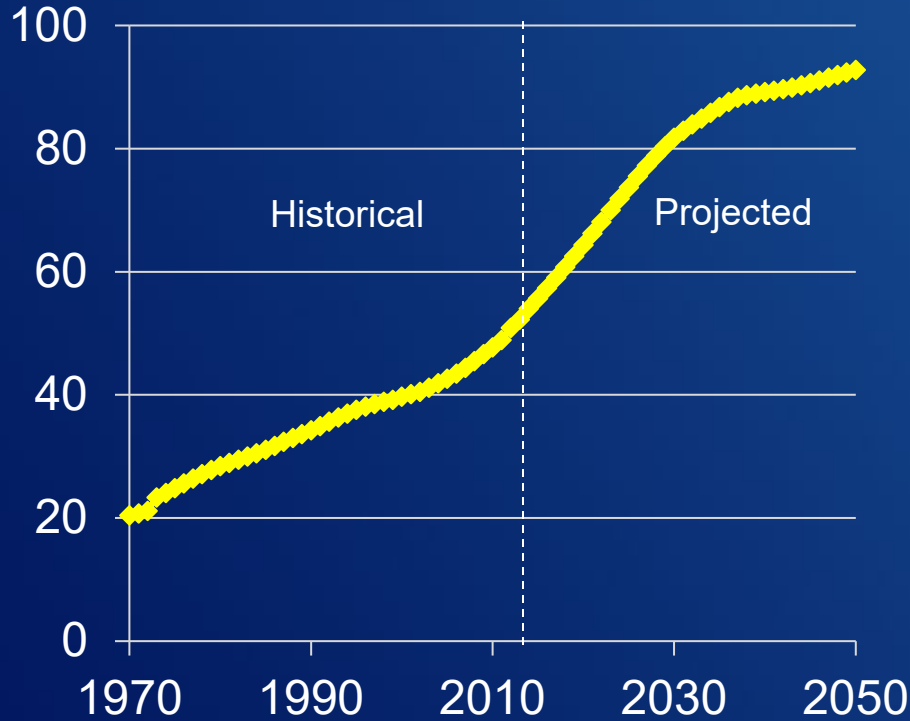
Population by Age and Sex: 2030



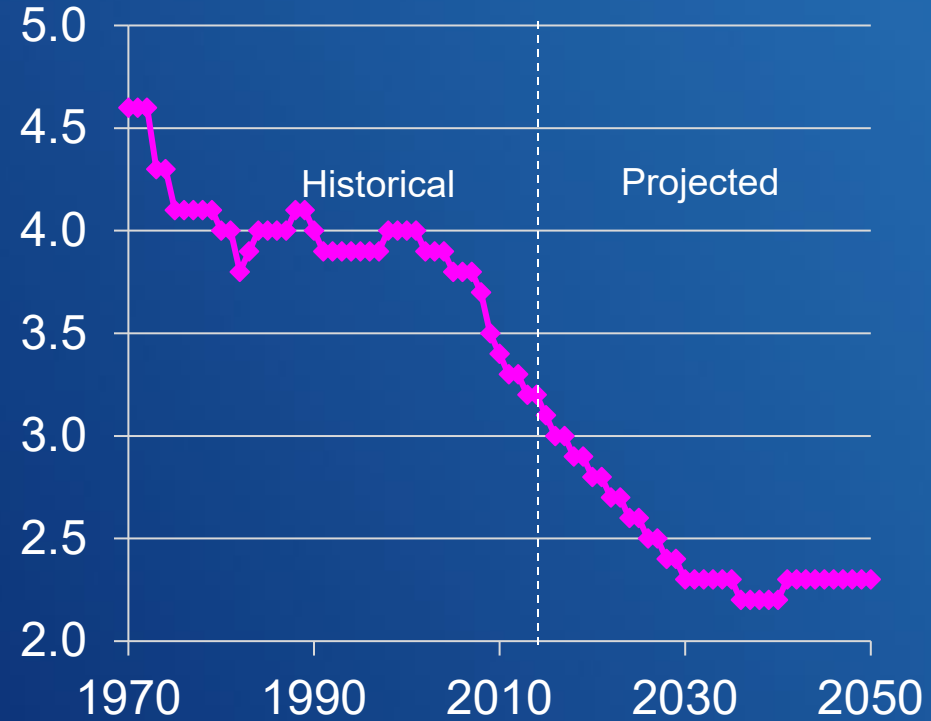
# Medicare enrollment projected to grow rapidly

## Workers per HI beneficiary projected to decline

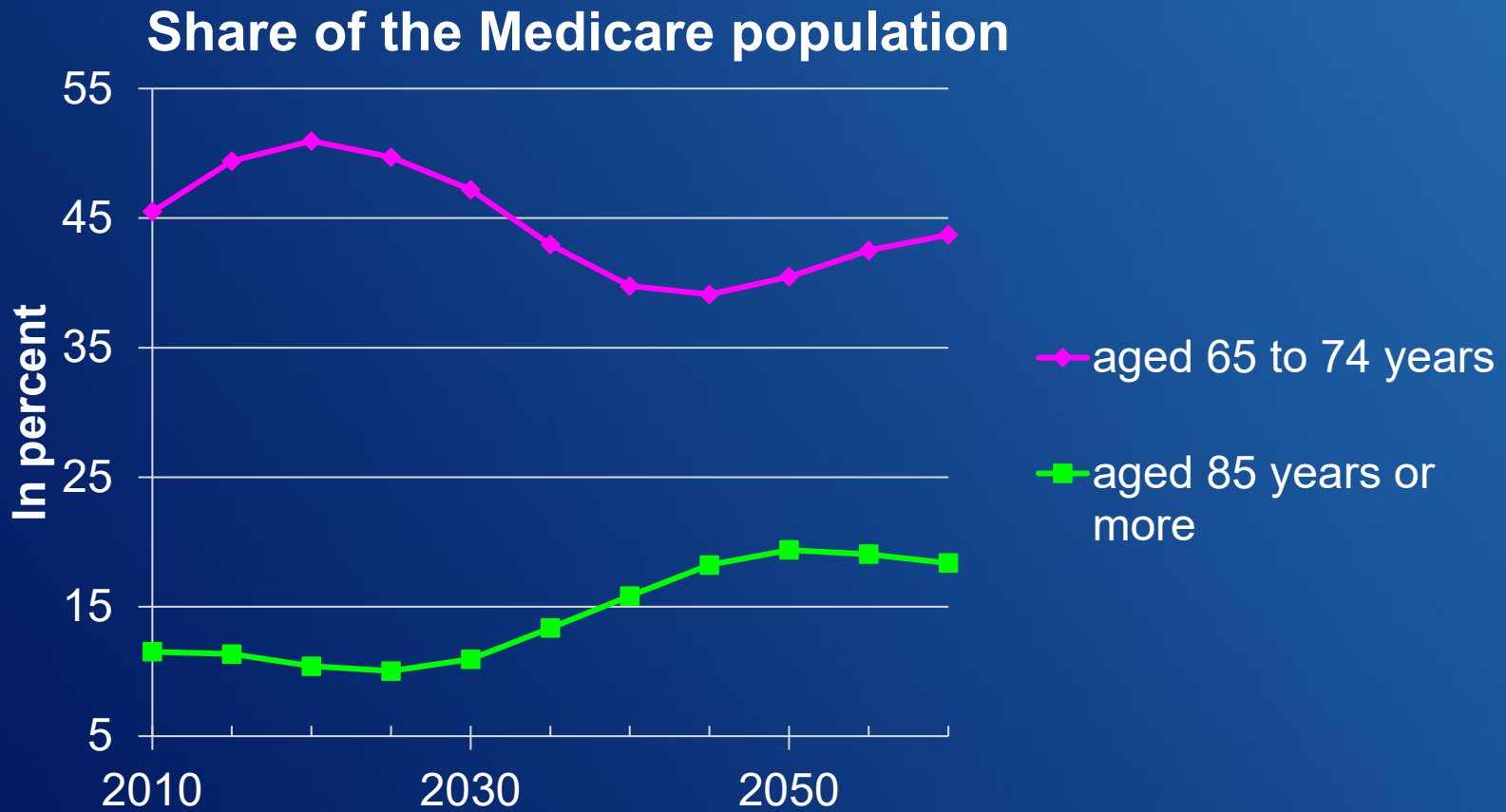
### Medicare enrollment (in millions)



### Workers per HI beneficiary

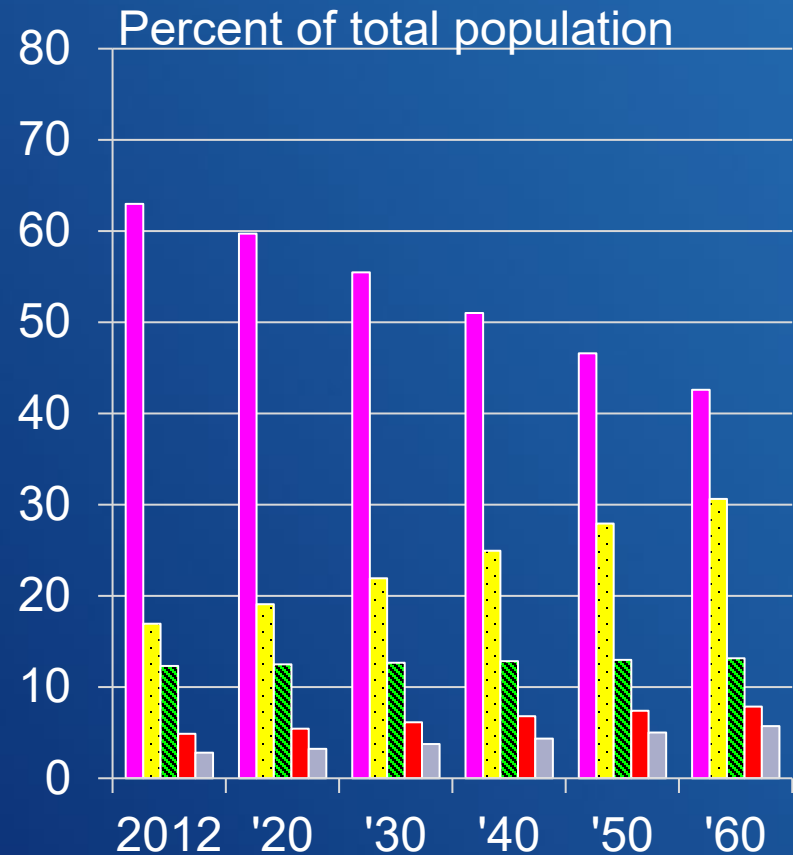
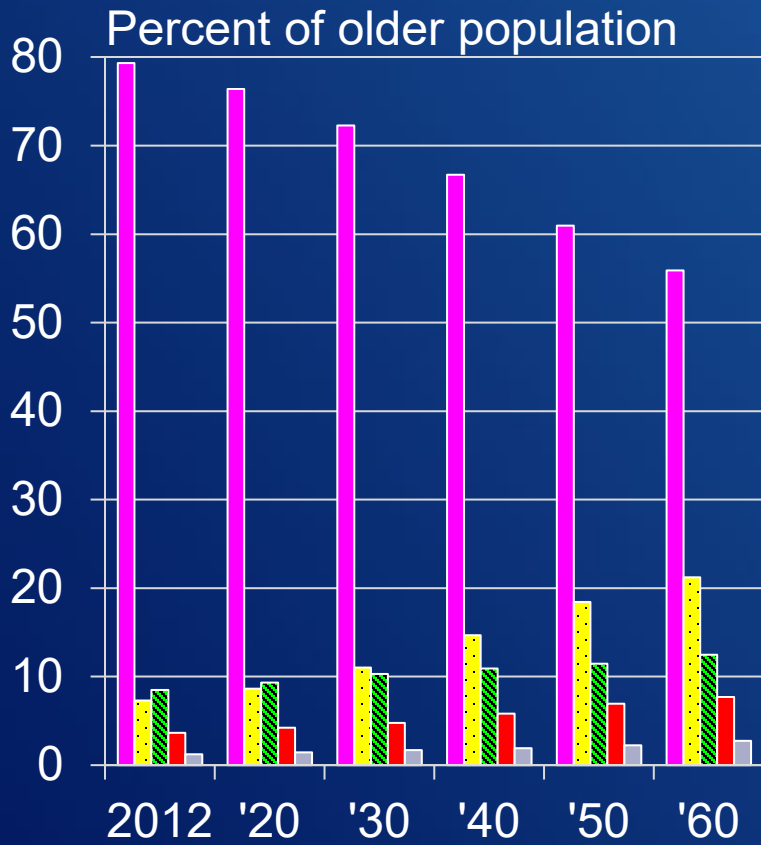


# The Medicare population will become younger and then older



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

■ White    
 ■ Hispanic    
 ■ Black    
 ■ Asian    
 ■ All other

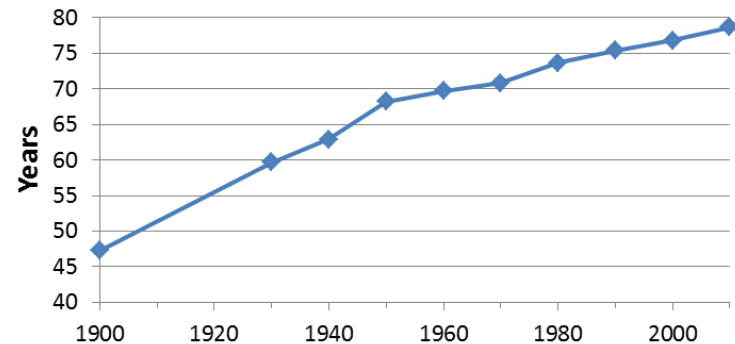


Note: "All other" includes American Indian and Alaska Native and Multiracial.  
 Source: Census Bureau, 2012 National Population Projections.

# Health of baby-boomers: Indicators are mixed

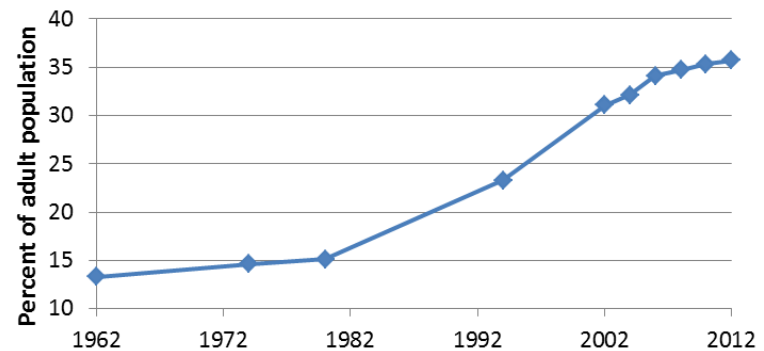
- Positive indicators
  - Higher life expectancies
  - Lower rates of smoking
- Negative indicators
  - Higher rates of obesity
  - Higher rates of diabetes

Life expectancy at birth, 1900 - 2010



Source: U.S. Census Bureau 2014.

Obesity among adults, 1962 - 2012



Source: National Center for Health Statistics 2014.

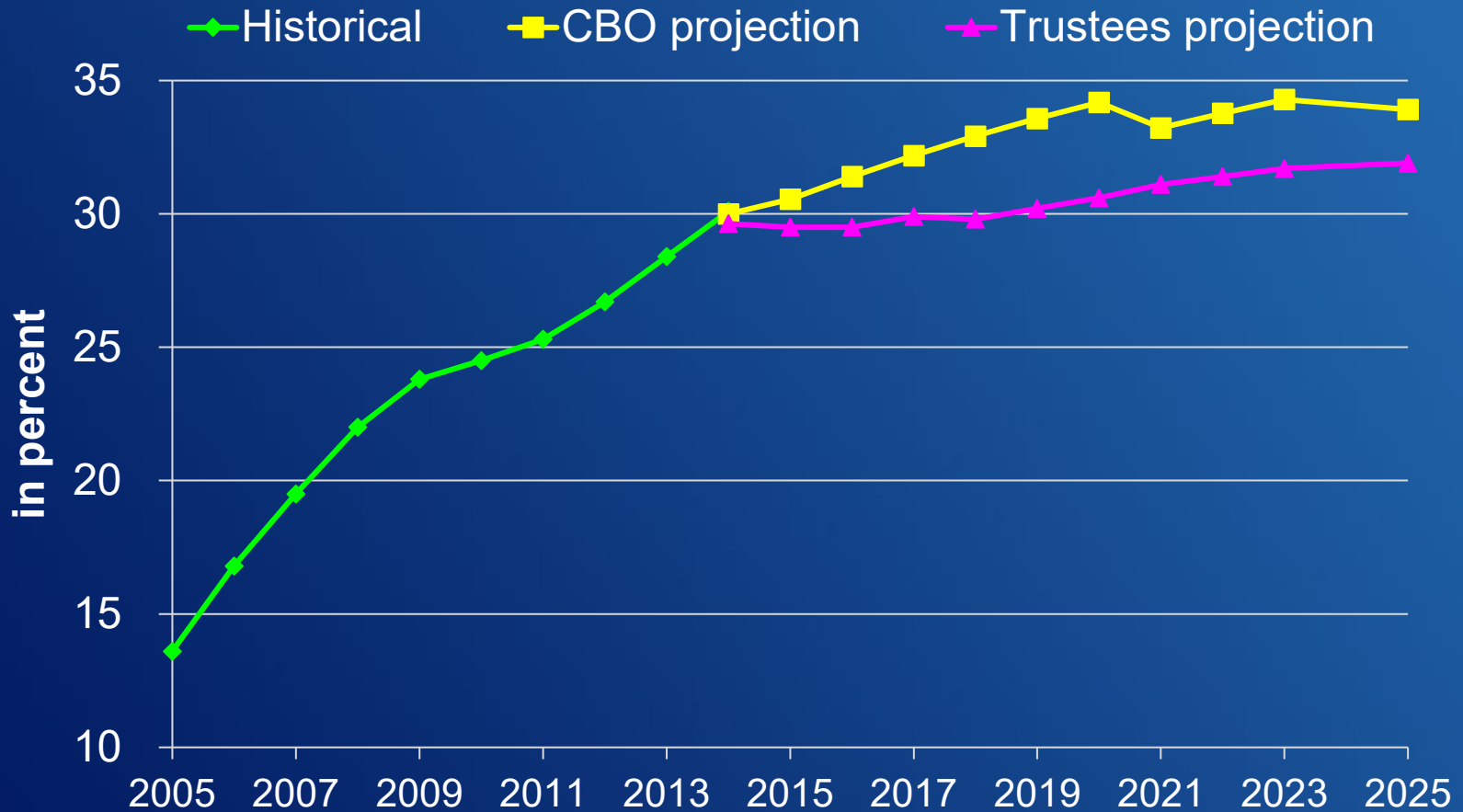
# Health of baby-boomers: Indicators are mixed (continued)

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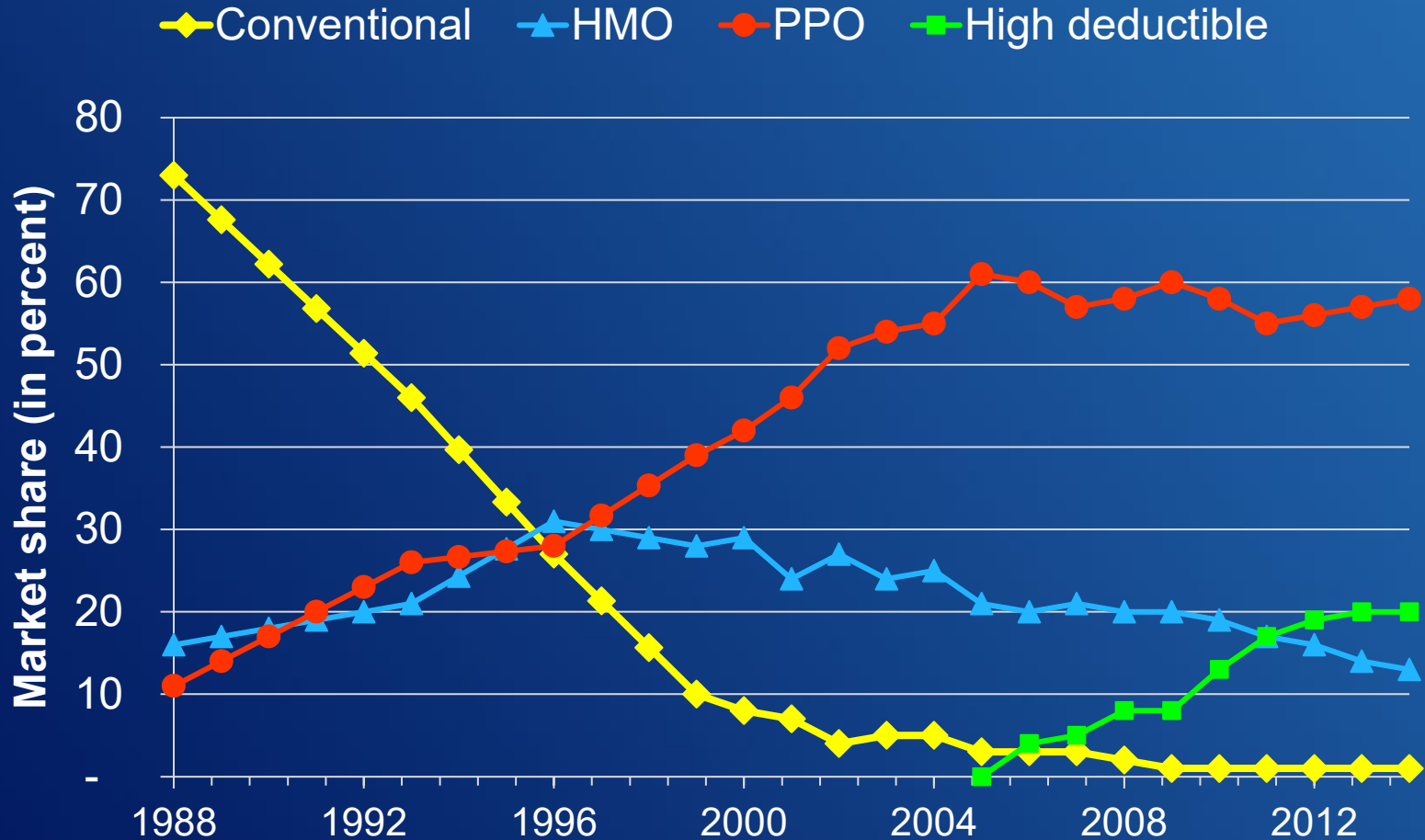
- Other indicators less clear
  - Cancer, hypertension and high cholesterol — rates may have increased
  - Heart disease and stroke — rates may be stable
- Higher rates could be result of
  - Increased use of diagnostic testing
  - More aggressive and expansive treatment practices
- Some diseases and 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

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## 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)

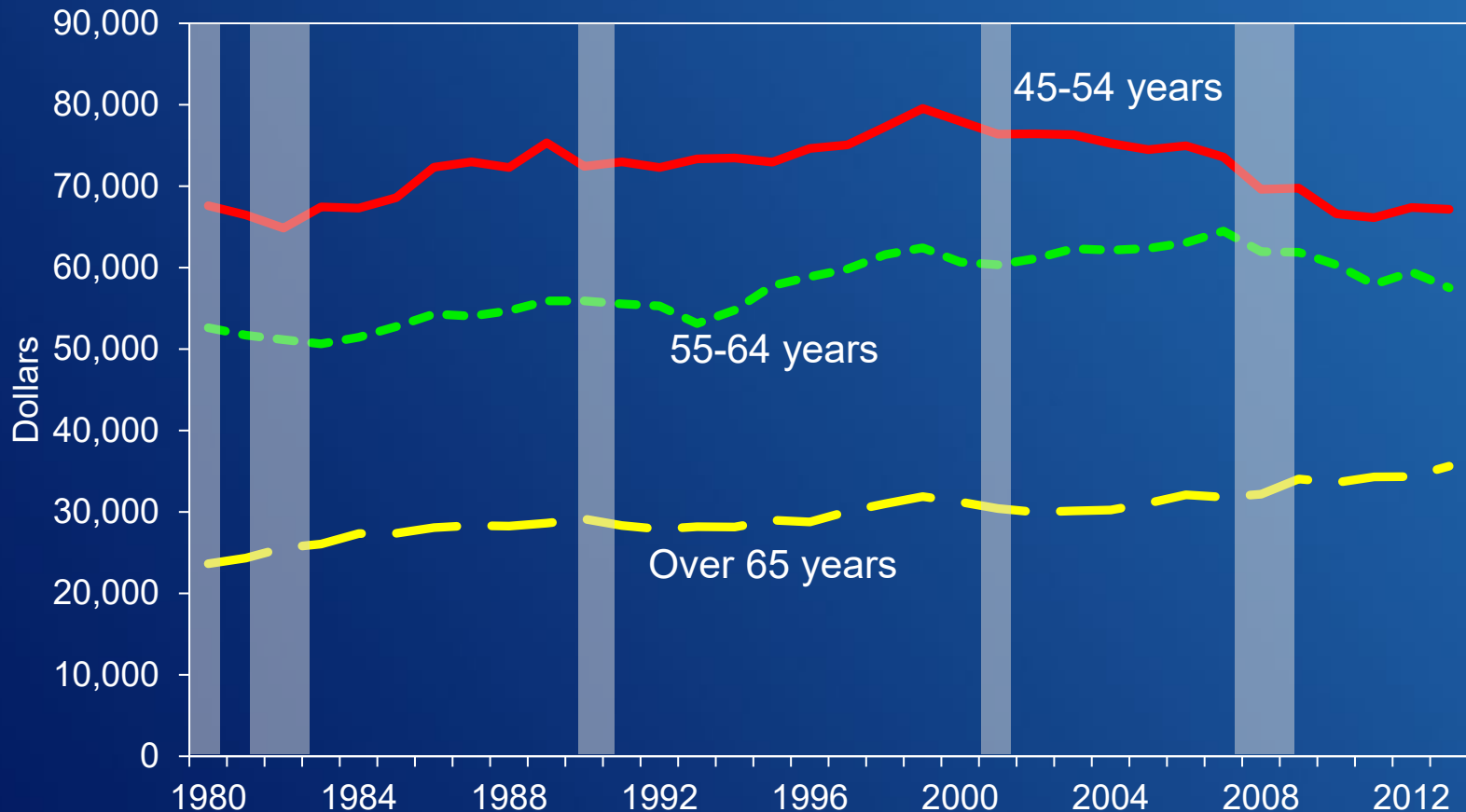
Participants supported provider networks and limited coverage for “low-value” care in exchange for a better benefits package (e.g., coverage for long-term care, transportation, dental and vision.)

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

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- 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



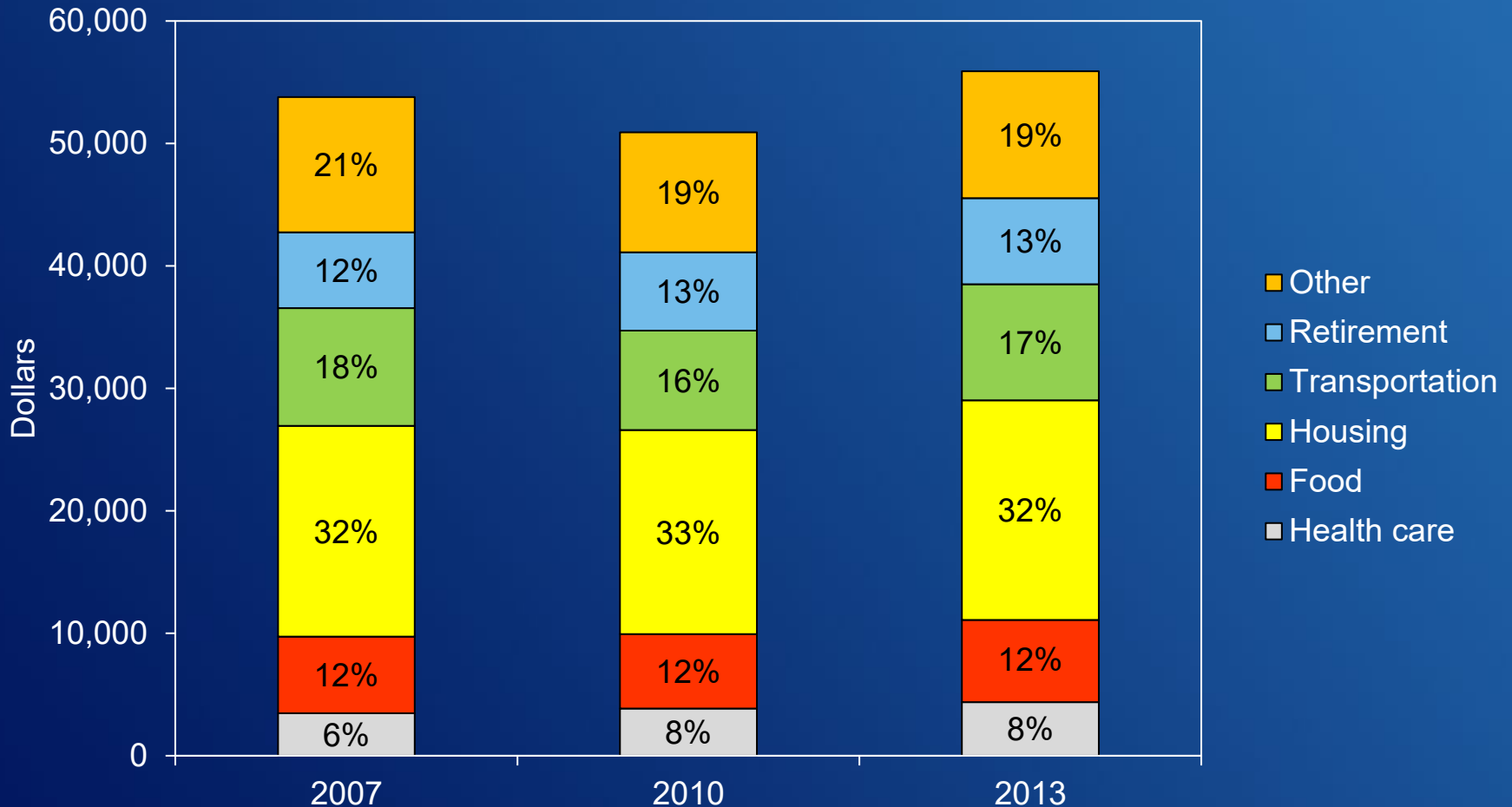
Note: In 2013 dollars. Shading indicates economic contractions.  
Source: Census Bureau

# Effect of the recent recession

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- 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

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- 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

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- 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