The Future of Medicare

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THE US HEALTH CARE SYSTEM -- $2.8 TRILLION/YR. (18% of GDP)

1) VA Health Care -- 1700 sites, covers 8.3 M Vets/Yr.
2) Private Insurance -- 60 % via employers
3) Medicaid -- Means-tested; covers 63M; funded by Fed & States
   60% Managed Care; 9 M Dual Eligibles
   Currently covers 63 M; cost $300 B/yr(31%)
   2014 ACA expansion to 133% of FPL
4) Medicare -- Single payer national ins. program
   Defined benefit(vs. defined contribution)
   Currently covers 48M(40 M >65); cost $522B/yr(54%)
5) Uninsured -- 50M cared for by CHCs(sliding scale) and EDs
Deficiencies of our Health Care Delivery System

A – Deficient Access
C – High Cost
Q – Uneven Quality
F – Fragmentation of Care
PH – Impaired Population Health
Statistics on Health Care

- About 47 million U.S. citizens are uninsured
- National uninsured rate is about 16%
- More than 500,000 Wisconsin residents were uninsured in 2007
- Over 65% of the uninsured in Wisconsin are employed
- About 40 million adults do not receive needed medical services because they can’t afford them
- U.S. residents typically have less access to health services, fewer doctors and hospital beds per capita than 30 other developed countries in the world.
- Most other developed countries are healthier than U.S.-based on life span and infant mortality comparisons.
Health Care Costs

- 75% of health care costs are related to chronic diseases
- 70% of health care costs are driven by preventable diseases
- 50% of health care costs are related to life style choices such as smoking, unhealthy diet and lack of exercise.
- For the past 25 years, health care costs have grown 2 ½ % per year faster than our national income. Clearly this is unsustainable.
- Total health care spending in Wisconsin in 2007 is projected at $42.3 billion, and is project to grow 82% to $76.9 billion in the next decade.
The U.S. spends far more on health care than any other nation

Health-care spending—already rising rapidly—will be one-fifth of the U.S. economy in nine years. Per-person spending will nearly double. Half of that money will come from public programs like Medicare.

Projected per capita spending in 2017:
- Public funds: $6,369
- Private insurance: $5,310
- Out of pocket: $1,422
- Total: $13,101

One benefit of all that spending is that the U.S. leads the world in medical innovation. Hospital care remains the largest expense, driven by demand from an aging population. Here is how the U.S. spends each health-care dollar:

- Hospital care: 31¢
- Physician and clinical services: 21¢
- Prescription drugs: 10¢
- Nursing-home care*: 9¢
- Administrative costs: 7¢
- Dental care: 4¢
- Equipment: 2¢
- Research: 2¢
- All other: 12¢

The Federal Government has health programs for the poor and elderly, leaving the states to fill in gaps or expand what’s available. The result is a wide disparity in per-person spending across the country.

Per capita health spending:
- D.C.: $58,295
- Utah: $4,972

*Includes home health-care workers. Sources: World Health Organization, U.S. Department of Health and Human Services, Centers for Medicare and
Inappropriate Utilization: Overuse, Underuse, Misuse

• **Overuse:** Regional Variation in Quality & Cost
  – Medicare beneficiaries in higher-spending regions of the US receive 60% more than in lower-spending regions. No difference in quality of care, access to care, survival rates, or health outcomes. (Wennberg, Fisher)

• **Underuse:** Only ~ ½ of U.S. adults receive recommended levels of preventative, acute and chronic care. Only 55% of recommended care for common conditions. (McGlynn, NEJM, 2003)
The Cost of Poor Quality

• 30%-40% of health dollars spent on poor quality: overuse, underuse, misuse, unnecessary repetitions, poor communication, inefficiency.

• IOM estimates that between 44,000 and 98,000 persons in US die annually in hospitals from preventable medical errors, result in $17-$29 billion in increased health care costs, lost income, and lost productivity.
Annual Causes of Death in the U.S.

- Medical Error: 98,000
- Motor Vehicle: 43,458
- Breast Cancer: 42,297
- AIDS: 16,516
The Affordable Care Act (ACA)

http://www.youtube.com/watch?feature=player_detailpage&v=3-llc5xK2_E
MEDICARE COMPONENTS

1) PART A -- Hospital Care; Diagnosis Related Groups
2) PART B -- Outpatient Medical Services (includes lab & imaging)
3) PART C -- Medicare Advantage; combined A&B via pvt. network (24%)
   - no deductibles; out-of-pocket cap; additional services; drugs
4) PART D -- Outpatient Prescription Drugs (Donut Hole)
   - Covers 50% of all costs (no LTC, vision, hearing)
   - Covers 75% of covered services; co-pays & deductibles
MEDICARE DEMOGRAPHICS

1) Disproportionately white & female (longer life expectancy)
2) Rapidly expanding pop. with incr. number of chronic conditions
3) 70% will require some form of long-term care in lifetime
4) 16% living in poverty vs. 13% in general pop.
5) Ave. household income 23K vs. median U.S of 48K
6) Typical senior household has 67K of savings - less than 50% of what will be required for health care in retirement
MEDICARE FUNDING

1) PART A -- 2.9% payroll tax (employers and workers each pay 1.45%)

   3.8% on income > 250K as of 2013

2) PARTS B&D -- premiums paid by Medicare enrollees (means-tested)

   and also general fund revenue

3) PART C -- Derived from Parts A&B plus 12% premium to pvt. provider;

   outpt. drug plan for additional subscriber payment
MEDICARE PROBLEMS

1) Political Third Rail
2) Prohibition of Drug Price Negotiation
3) Regional cost disparity
4) End of Life Care Overutilization
5) Project 80 M enrollees by 2030, with decr. in workers/enr.of 3.7-2.4
   Thus, major incr. cost with decr. revenue
6) Graduate Medical Education(GME) Policies
7) Many of the previously noted deficiencies of the system
HOPE FOR THE FUTURE

1) COST CONTROL
   a) Independent Payment Advisory Board (IPAB)
   b) Accountable Care Organizations (ACOs) and other Medicare And Medicaid Innovations Center (CMMI) initiatives
   c) Choosing Wisely Initiatives; Mid-level Providers; EMRs
   d) Patient Centered Outcome Research Institute (PCORI) initiatives
   e) Revitalize Primary Care Via Enlightened GME Policies
   f) Reduce Part C premium and Hospital Payments

2) REVENUE ENHANCEMENT
   a) Merge Deductibles
   b) Expanded means testing
   c) Medical instrumentation tax
   e) Support for End of Life Planning