Medicare & Medicaid: Past, Present & Future

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HOW MEDICARE AND MEDICAID CAME TO BE, AND THE CIVIL RIGHTS ACHIEVEMENT FOR WHICH MEDICARE IS RESPONSIBLE.

PAST, PRESENT AND FUTURE COST IMPLICATIONS.

THE IMPACT OF THESE HEALTHCARE PROGRAMS ON PATIENT, PROVIDER AND PAYER.

WHAT FUTURE CARE DELIVERY MIGHT LOOK LIKE AND THE EFFECT IT COULD HAVE ON YOU.

Enlightened Learning Experience!

• How Medicare and Medicaid came to be, and the Civil Rights achievement for which Medicare is responsible.
• Past, present and future cost implications.
• The impact of these healthcare programs on patient, provider and payer.
• What future care delivery might look like and the effect it could have on you.

Agenda

Past:
• The Early Years
• Implementation
• A Civil Rights Achievement
• Cost Considerations
• Expansion

Future:
• Financial Outlook
• Reform
• Personalized Medicine
• Care Delivery
• Electronic Health Records
PAST: The Early Years
Implementation A Civil Rights Achievement
Cost Considerations Expansion

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Medicare and Medicaid – The Early Years
• Considered in the early 1900s
• Viewed with suspicion (“socialist”)
• Great Depression and “economic security”
• President Roosevelt appointed a committee
• Social Security was born in 1935
• Health insurance was omitted
• Opposition and debate: liberal Democrats and organized labor vs. conservative Republicans, southern Democrats and the AMA

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Medicare and Medicaid – The Early Years
• Insurance plans emerged in the 1930s
• Retirees had limited access to coverage
– 3 million (1900) to 12 million (1950)
• Plans emerged to help them
• Opposition continued (“socialized medicine”), but public approval grew
• The big fear: funding
• 1964 elections

Medicare and Medicaid Takes Effect

- Program went into effect a year later
- Harry and Bess Truman given first Medicare cards
- 1969, 12 states still hadn’t joined Medicaid; Arizona was the last to do so in 1982
- Dramatic drops in infant mortality rates and infectious diseases
Medicare forced the desegregation of every hospital in America virtually overnight.

- Volunteer field inspectors
  - Enforcement
  - Enormous task
  - Secret army, no one let off the hook
- Hospitals complied: 1000 in 4 months

A Civil Rights Achievement

Cost was a concern during the long Medicare debate.

- After passage, no one was too worried
  - Social Security Trust Fund: $2 billion in 1940; $18 billion in 1965
  - 81 million workers; 19 million Medicare beneficiaries
- Government exercised restraint from pricing control
- Hospitals were paid for their costs
- More services meant more income
- Surge in medical devices and advancements
Medicare Expansion

- Medicare was designed to protect people in retirement: Parts A and B.
- Over the years, Medicare has added coverage:
  - 1972: Disabilities and End Stage Renal Disease (ESRD)
  - 1982: Hospice
  - 2003: Prescription Drugs Improvement and Modernization Act
    - Part C, private health plans known as Medicare Advantage
    - Part D, optional outpatient prescription drug benefit – 2006
  - 2011: Preventive care for no out-of-pocket cost

Medicaid Expansion

- Millions of Medicaid Beneficiaries
- ACA enacted
- SCHIP enacted
- HCBS waivers authorized
- Medicaid eligibility for women and children is expanded
- Section 1115 waivers expand Medicaid eligibility
- Disenrolled beneficiaries
- Implementation of the ACA Medicaid expansion


SOURCES: 1972-1998: Unduplicated, ever-enrolled counts as reported in the 2000 House Ways and Means Committee Green Book
1999-2008: KCMU and Urban Institute estimates based on unduplicated, ever-enrolled data from FFY 2000-2011 MSIS.
2014-2015: Unduplicated, ever-enrolled counts as reported in the March 2015 CBO baseline.
PRESENT:
Medicare and Medicaid
Dollars and Sense

Medicaid

- Evolved into a blanket program for all low-income people
  - Half of U.S. births
  - 1 in 3 children overall, and 3 in 4 poor children
  - 9 million people with disabilities
  - 5 million seniors
  - Over half the nation’s nursing home bill
• Only 2% of Americans > 65 lack coverage
• 2011: 47.6 million recipients
• Boomers age into Medicare: 10,000 per day
• 2030: 81 million Medicare recipients

Medicare and Medicaid: 2013 Data

Health Coverage

- Medicare
- Medicaid
- Other Public
- Employer, Union

Total = 313.4 million

Health Spending

- Private Health Insurance
- Medicare
- Other Public and Private
- Employer, Union Out-of-Pocket

Total = $2.5 trillion

NOTE: Health spending total does not include administrative spending.
Medicare beneficiaries pay 13 - 41% of expected consumption

Budget pressures eventually will force cutbacks

Affordable Care Act: Healthcare expansion

Millions of new Medicaid recipients

Déjà vu

States are struggling


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Access to care

Physicians not accepting Medicaid; Medicare

Hospital reimbursement

Medicare pays more than Medicaid

When “you don’t pay what it costs for a service,” someone else is paying more

Present day reality
FUTURE:
Financial Outlook
Reform
Personalized Medicine
Payment Reform
Care Delivery
Electronic Health Records

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Financial Outlook

• 2030: Medicare Part A “insolvency?”
• Payroll taxes, other revenues will cover 86% of costs
• 2050: 93 million beneficiaries, more than the number of workers providing payroll taxes
• Trustees have projected insolvency for 4 decades
• Presidents, Congresses have kept spending and resources in balance in the near term

Sources:

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Question

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Financial Outlook

- Medicaid: 167% increase from 2015 to 2023
  - From $529 to $835 billion
- Medicare and Medicaid’s unfunded liabilities for the next 75 years:
  - Exceed $45 trillion; nearly 3X the national debt
- Bending the cost curve

Sources:

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Medicare Reform

- Retirement age increased
- Covered services reduced
- CMS drug pricing negotiations
- Shift incentives to wellness
- Value and quality based payment
  - ACOs
  - Bundled payments
- Medicare could pay two different prices
  - More benefit = more pay
  - Less benefit = less pay

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Medicaid Reform

- Eligibility criteria
  - Lowering income thresholds
  - Eliminating programs
  - 209(b) converting to 1634
- Patient responsibility
  - Healthcare Savings Account contributions
  - Cost sharing
  - Work requirements
- Taxation

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Personalized medicine is the future of health care

Greater precision
– Use genetic code to tailor treatment
– Develop simple and inexpensive genomic tests to match patient with medicine
– Improve results, avoid a major side effect
– Keep people out of the hospital

Sovaldi:
– Hepatitis C cure
– Targets 4 specific genomic variants of the virus
– $1,000 per pill; $84,000 for a course of treatment
– Massive upfront cost for payers
– Eliminates the financial burdens of long-term treatment and potential liver transplants
– 2014: $739,100; 30 days before to 180 days after

Personalized Medicine

- Oncotype DX:
  - Test that accurately predicts recurrence of certain types of breast cancer after initial treatment
  - Negative test? Forego follow-up treatment
  - Save money
  - Improved patient experience


Care Delivery: Diagnose

- Smartphones, other mobile devices, and computer algorithms
  - Immediate and inexpensive diagnosis
  - Telemedicine consults
  - Lower costs compared with office or emergency room visits
- Cheap sensors
  - Routine blood lab tests
  - Handheld ultrasound device

Care Delivery: Monitor

- Remotely and continuously monitor vital signs of patients in their own bedroom
- Continuously monitor conditions and spot events before they cause an emergency
- Track and prevent congestive heart failure episodes
**Care Delivery: Treat, Manage**

- Physical therapy replaced by virtual therapy
- Provide smartphones, medical apps and data plans to certain Medicare recipients
  - Average Medicare recipient has 5+ chronic diseases
  - Manage their conditions
  - Avoid emergency room or hospital
  - Drive down costs

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**Electronic Health Records**

- Government has distributed over $30 billion
- Disliked by physicians and patients
  - Diminished face-to-face contact, communication
  - But, natural language processing could record and transcribe the entire visit
  - Editing of the notes, along with machine learning, could preserve eye contact

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**Keeping It In Perspective**

- If the past is truly a predictor of the future:
  - The Patient Protection and Affordable Care Act will not provide health coverage for all
  - There will always be uninsured and underinsured people
  - Charity care and community benefit will not go away
- Medicare has had a successful past, and it's likely to go on in some form
Coming Together

• We CAN meet the challenge
• We must build on the foundation laid for us by President Johnson 50 years ago

A Better Tomorrow

“It always seems impossible until it is done.”
President Nelson Mandela

Happy Birthday, Medicare and Medicaid!


Thank You for Attending!

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