Future of Medicare & Medicaid

Kari Thurlow, Senior Vice President of Advocacy, LeadingAge Minnesota
Objectives

• Learn about the current policy environment at the state and federal government and proposals being considered by elected officials related to Medicare and Medicaid.

• Understand how potential changes to the Medicare and Medicaid programs may impact senior health care and services in Minnesota.

• Identify ways to engage with policymakers about proposed changes to the Medicare and Medicaid programs.
The Demographics
Face it, Minnesota. We’re getting old.

FaceAgingMN.org
Increase in 65+ Population- Set to Skyrocket

Steepest increase is just beginning!
Between 2020 and 2040, the number of people age 85+ will more than **double**

<table>
<thead>
<tr>
<th>Year</th>
<th>Population</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>126,461</td>
<td>24.5%</td>
</tr>
<tr>
<td>2030</td>
<td>157,415</td>
<td>60.1%</td>
</tr>
<tr>
<td>2040</td>
<td>246,000</td>
<td></td>
</tr>
</tbody>
</table>

Source: Minnesota State Demographer Census Data, 2016 Projections
Less than 1 in 5 Boomers have taken any action to prepare for Long Term Services and Supports
A Risk We All Face

Half of Adults Age 65+ Will Need a High Level of Care at Some Point

Source: Anne Tumlinson Innovations; Table 1 Favreault and Dey (2015)
Average Lifetime Long Term Care Costs

- Men: $91,100
- Women: $182,000
- Everyone: $138,000

Source: Ann Tumlinson Innovations, Tables 4A-4B, Favreault and Dey (2015)
Medicaid
State Spending Growth on Medicaid

- **23%**% of State General Fund Spent on Medicaid
- **15%** Amount of Medicaid Spending on Care Centers & Elderly Waiver

*Source: Minnesota Department of Human Services Budget Forecast*
Growth in Minnesota Spending on Medicaid

- MA is currently 23% of MN general fund spending
- Nursing homes and Elderly Waiver are less than 15% of MA spending

State General Fund MA Spending in Billions

- SFY 12-13: 8.1
- SFY 14-15: 8.9
- SFY 16-17: 9.4
- SFY 18-19: 11.2

Source: DHS Budget Forecast
Medicaid Spending Will More Than DOUBLE in Next 10 Years

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Medicaid $</th>
<th>Federal Medicaid $</th>
<th>State Medicaid $</th>
<th>Average. Federal %</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>$427.4</td>
<td>$270.7</td>
<td>$156.7</td>
<td>63%</td>
</tr>
<tr>
<td>2012</td>
<td>$431.0</td>
<td>$248.8</td>
<td>$182.2</td>
<td>58%</td>
</tr>
<tr>
<td>2013</td>
<td>$456.4</td>
<td>$262.2</td>
<td>$194.2</td>
<td>57%</td>
</tr>
<tr>
<td>2022 (est)</td>
<td>$853.8</td>
<td>$511.1</td>
<td>$342.5</td>
<td>60%</td>
</tr>
</tbody>
</table>

Medicare
Figure 2

The aging of the population and rising health care costs are contributing to the growth in Medicare spending over time

U.S. population ages 65 and older, 2010-2050

Figure 5
Medicare spending was 15 percent of the federal budget in 2016

Total Federal Outlays, 2016: $3.9 trillion
Net Federal Medicare Outlays, 2016: $588 billion

NOTE: All amounts are for federal fiscal year 2016. ¹Consists of mandatory Medicare spending minus income from premiums and other offsetting receipts. ²Includes spending on other mandatory outlays minus income from offsetting receipts. SOURCE: Congressional Budget Office, Budget and Economic Outlook: 2017 to 2027 (January 2017).
Medicare spending is projected to increase gradually as a share of the federal budget and economy over the next 10 years.

Net Medicare outlays as a share of the federal budget:

<table>
<thead>
<tr>
<th>Year</th>
<th>Outlays in Billions</th>
<th>Percent of GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>$588</td>
<td>3.2</td>
</tr>
<tr>
<td>2017</td>
<td>$592</td>
<td>3.1</td>
</tr>
<tr>
<td>2018</td>
<td>$590</td>
<td>3.0</td>
</tr>
<tr>
<td>2019</td>
<td>$654</td>
<td>3.2</td>
</tr>
<tr>
<td>2020</td>
<td>$701</td>
<td>3.3</td>
</tr>
<tr>
<td>2021</td>
<td>$755</td>
<td>3.4</td>
</tr>
<tr>
<td>2022</td>
<td>$849</td>
<td>3.7</td>
</tr>
<tr>
<td>2023</td>
<td>$874</td>
<td>3.6</td>
</tr>
<tr>
<td>2024</td>
<td>$897</td>
<td>3.6</td>
</tr>
<tr>
<td>2025</td>
<td>$995</td>
<td>3.8</td>
</tr>
<tr>
<td>2026</td>
<td>$1,080</td>
<td>4.0</td>
</tr>
<tr>
<td>2027</td>
<td>$1,165</td>
<td>4.2</td>
</tr>
</tbody>
</table>

NOTE: All amounts are for federal fiscal years; amounts are in billions and consist of mandatory Medicare spending minus income from premiums and other offsetting receipts.
Figure 8

Spending on Part D prescription drug coverage is projected to grow faster than on other Medicare-covered benefits

Per beneficiary spending:

<table>
<thead>
<tr>
<th>Year</th>
<th>Total</th>
<th>Part A</th>
<th>Part B</th>
<th>Part D</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>$12,744</td>
<td>$5,019</td>
<td>$5,522</td>
<td>$2,203</td>
</tr>
<tr>
<td>2025</td>
<td>$19,405</td>
<td>$6,901</td>
<td>$8,642</td>
<td>$3,861</td>
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</tbody>
</table>

SOURCE: Kaiser Family Foundation analysis of Medicare spending data from the 2016 Annual Report of the Boards of Trustees of the Federal Hospital Insurance and Federal Supplementary Medical Insurance Trust Funds (Table V.D1)
The Policy Dialogue
Payment Trends Similar in Medicare and Medicaid

**MEDICARE**
- Integrated Services across all Health Care Settings
- Payment-Based Performance tied to Outcomes

**MEDICAID**
- Fee-for-Service Model
- Bending the Cost Curve
- Payment-Based on Cost Efficiencies

**Quality**
Payment Trends Shaping Service Delivery

- Tie payment to quality outcomes
- Link reimbursement for services across settings for acute and post-acute care
- Accountability for post-discharge success (re-admissions)
- Impact of managed care on service delivery
Elderly Waiver is Economical Alternative to Care Centers

Costs Medicaid almost $4,000 less per month

Source: Minnesota Department of Human Services, Spending Forecast, November 2017
Elderly Waiver Enrollment Exceeds Medicaid Nursing Home Recipients

Monthly Average Recipients

- Elderly Waiver
- Nursing Home

Source: Minnesota Department of Human Services, Spending Forecast, November 2017
The Shift to Medicare Advantage
Minnesota has highest penetration of Medicare managed care
Context: Medicare Market Shift in Minnesota

Medicare Enrollment in Minnesota
Total MN enrollment = ~940,000

Traditional Medicare Fee For Service
Part A and B and D
- Deductibles
- Coinsurance
Enrollment: 237,000

Medicare Supplemental Benefits/Plans
- Supplements Medicare FFS-only for non-Medicare covered services (deductible, co-insurance, added benefits under purchased plan)
Enrollment: 115,000

Medicare Senior Health Options (MSHO)
- Specialized plan for dual eligibles over age 65 that integrates MA and Medicare services
- Oversight by DHS and CMS; administered by health plans
Enrollment: 38,000

Group Coverage
- Retiree coverage from a former employer
- Similar to Supplemental plan: Medicare pays first and group plan supplements
Enrollment: 45,000

Cost Contracts
- Covers everything Medicare covers
- Plan is like a pass through with administrative duties
- Majority of Medicare managed care members in cost but this will change in 2019 as members shift to Medicare Advantage and Med Supplements
Enrollment: 380,000

Medicare Advantage Plans
- Plans at risk – keep savings/lose downside
- Plans have incentive to manage health care costs through disease management and well-care
- Historically small percentage of MN Medicare managed care market
- Also includes Special Needs Plans (dually eligible, chronic disease, and/or care center pop)
Enrollment: 126,000

Sources: CMS 2015, DHS 2018, Kaiser Family Foundation 2017
Context: Medicare Market Shift in Minnesota

Shift *from* Cost Contract creating significant MN market shift of an older population (av. age 72)

Shift either to Medicare Advantage, Fee For Service, or Med Supp markets

Minnesota law now allows for-profit HMOs resulting in new health plan entrants (e.g., Aetna, United Health Group)

940,000 Currently Eligible  
60,000 Minnesotans turning 65 each year*

*Sources: Minnesota State Demographic Center, December 2014*
Medicare Cost plans changing

Minnesotans in 66 counties will no longer be able to purchase Medicare Cost plans, which provide managed care and allow for the flexibility to see out-of-network health care providers. Those beneficiaries will need to sign up for a Medicare Advantage plan or another plan when the open enrollment period begins Oct. 15.

Source: Minnesota Commerce Department

PIONEER PRESS
2017 Legislative Changes - Elderly Waiver Rate Reform

- The legislature authorized new rate methodologies for the following services:
  - Adult day (EW, AC, ECS)
  - Chore (EW, AC, ECS)
  - Companion (EW, AC)
  - Customized living (EW and disability waivers CADI, BI)
  - Foster care (EW)
  - Residential care (EW)
  - Home delivered meals (EW, AC, ECS)
  - Homemaker (EW, AC, ECS)
  - Respite (EW, AC)
  - Individual community living support (EW, AC)

mn.gov/dhs
Partial implementation of Elderly Waiver Rate System

• The legislation states that the new methodology will be *partially implemented* in the first year. On January 1, 2019, the rates for affected services shall be the sum of:
  • 10% of the rates calculated with the new methodology
  • 90% of the rates calculated using the methodology in effect as of June 30, 2017
• Even with partial implementation, all of the service rates affected by the new rate-setting methods increase as of 1/1/2019

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How are rates calculated under EW Reform?

1) “Base wages” are calculated for each service rate or component service rate
   • Base wages are determined using various standard occupational classification (SOC) codes from the Bureau of Labor Statistics.

2) Additional cost “Factors” are then added to the base wage
   • Payroll taxes and other benefits factor
   • General and administrative factor
   • Program plan support factor
   • Registered nurse management and supervision factor
   • Social work supervision factor

3) Base wages and cost factor ingredients vary somewhat across the services
   *NOTE: Home delivered meals methodology is unique. It does not use this framework.