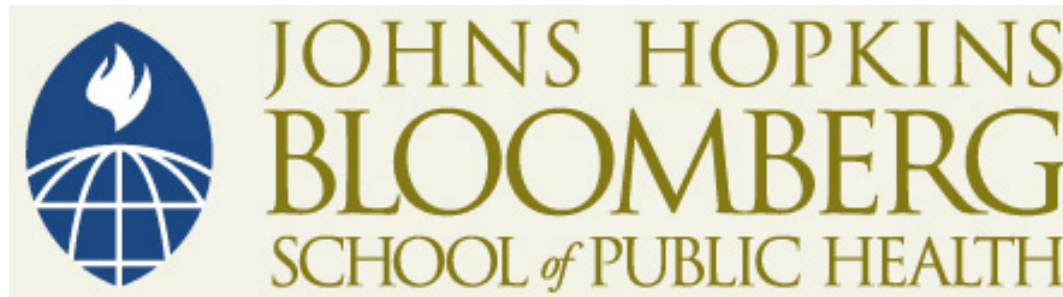


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Session 10

Public Sector Plans: Medicare & Medicaid

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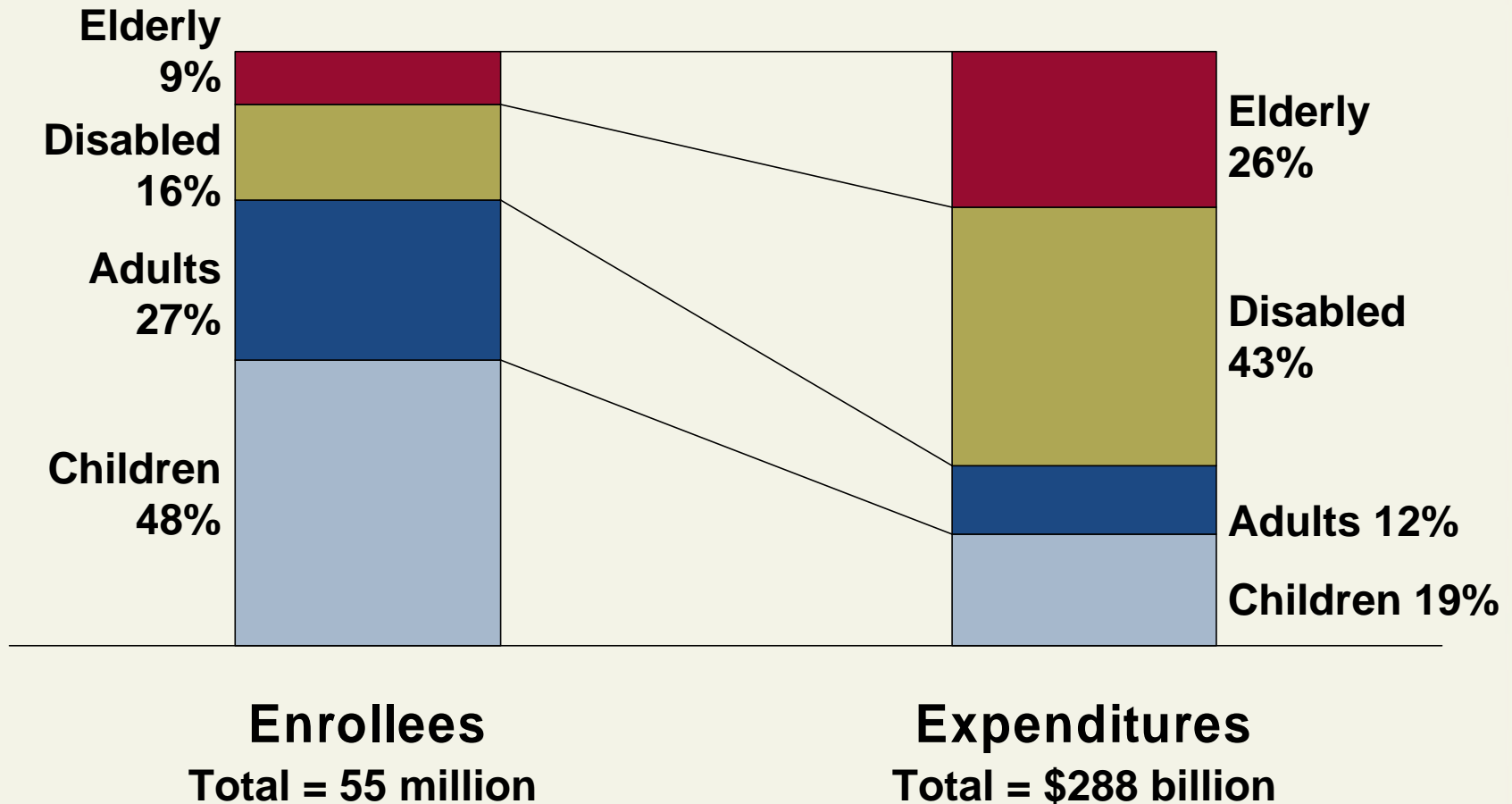
Health Care Financing and Coverage (Approx) in the US

	<u>Population</u>	<u>Payment</u>
Private Ins.	67%	44%
Medicare	10	16
Medicaid	9	14
Uninsured	14	-
Out-of -Pocket	-	16
Other	-	10



Medicaid-SCHIP

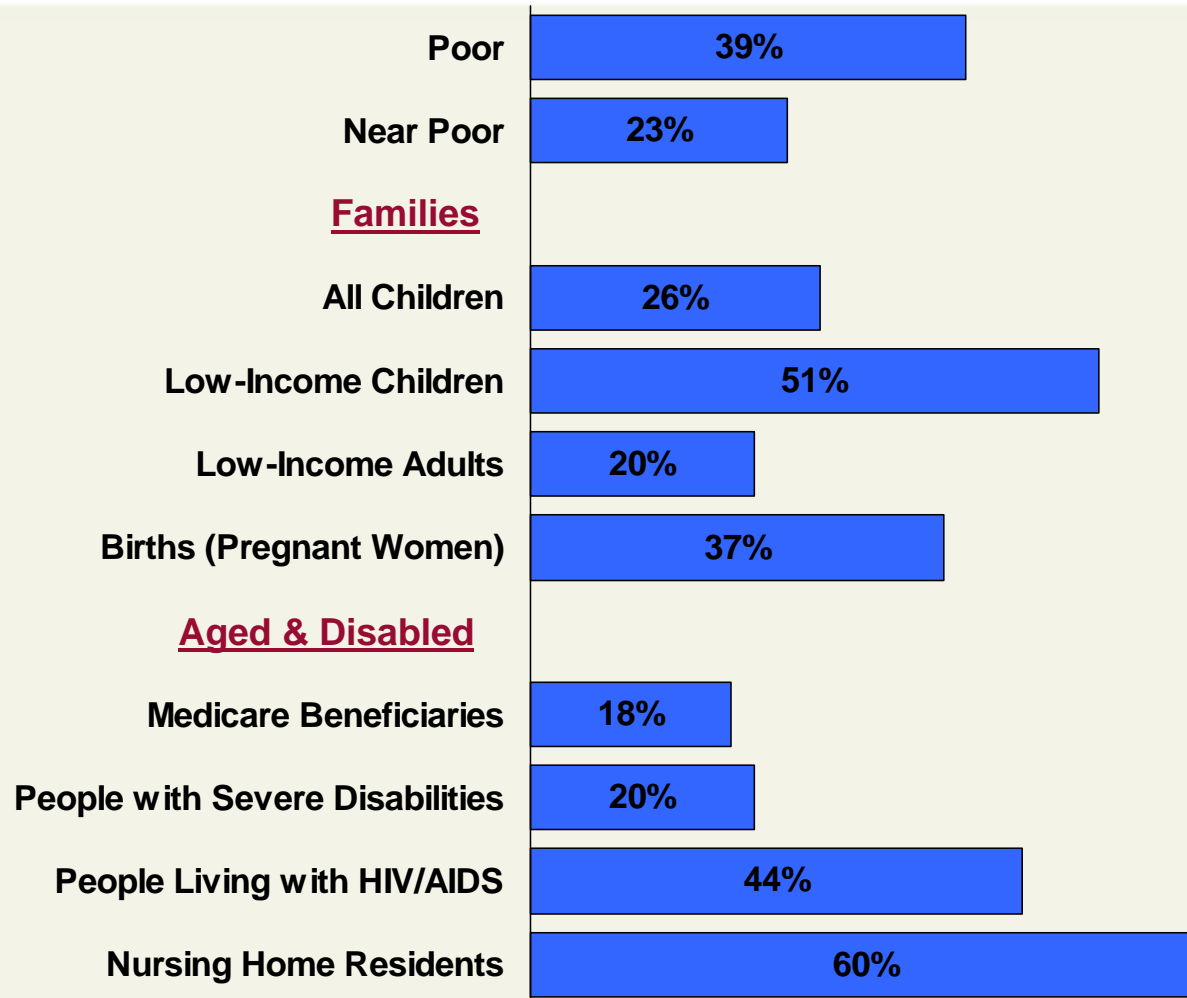
Medicaid Enrollees and Expenditures by Enrollment Group 2004



Note: Total expenditures on benefits excludes DSH payments.
SOURCE: KCMU estimates based on CBO and OMB data, 2004.

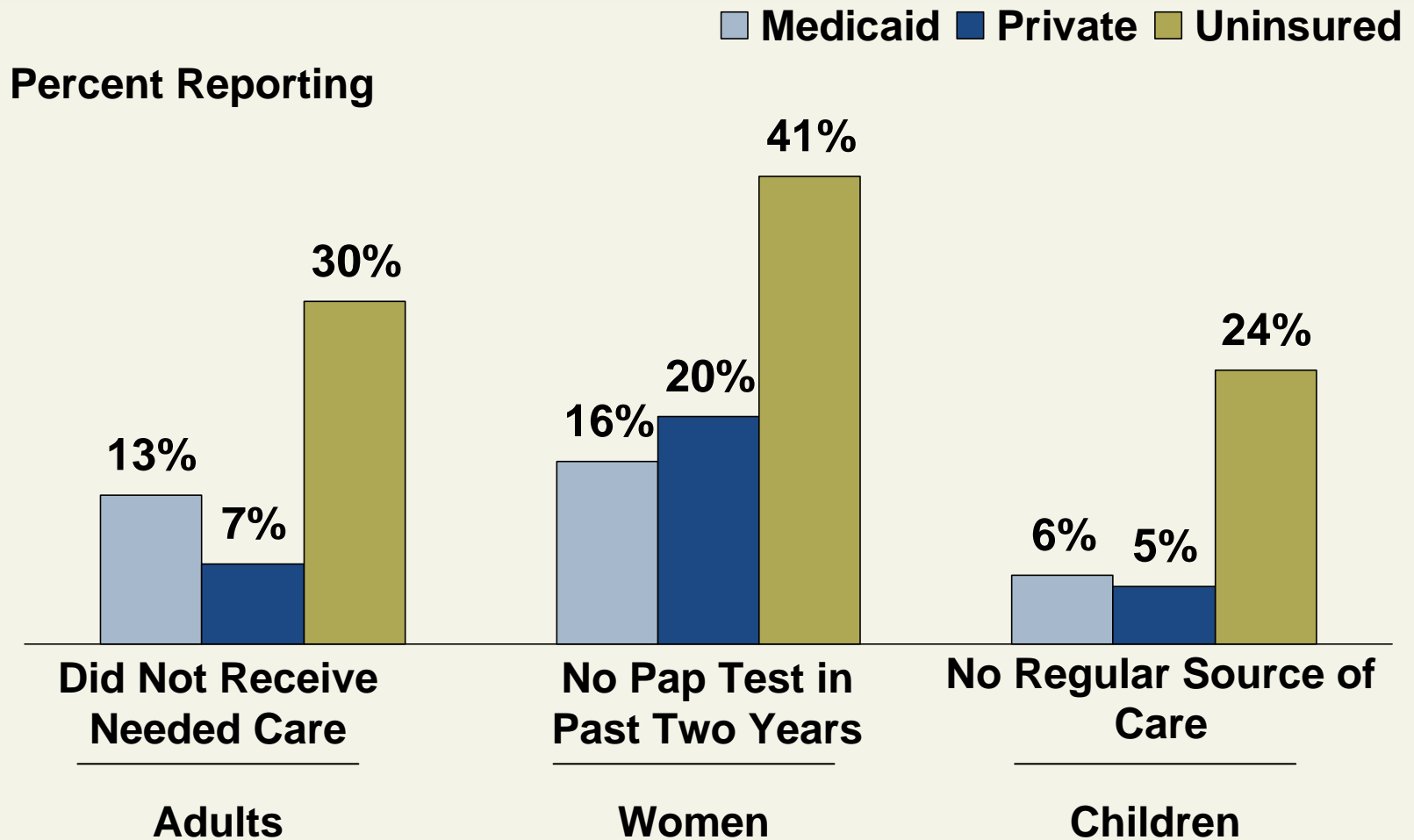
Medicaid's Role for Selected Populations

Percent with Medicaid Coverage:



Note: "Poor" is defined as living below the federal poverty level, which was \$19,307 for a family of four in 2004. Source: KFF -2006

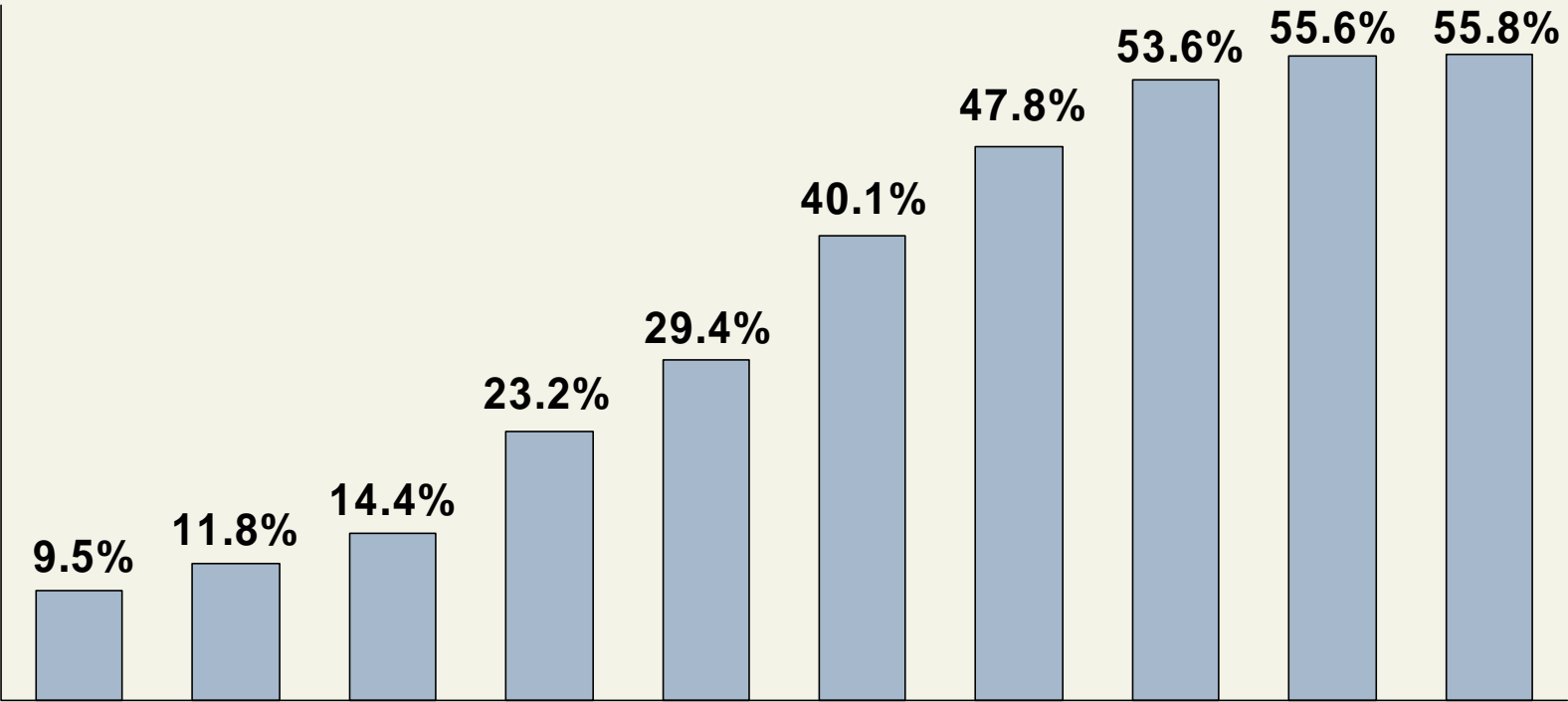
Medicaid's Impact on Access to Health Care



SOURCES: The 1997 Kaiser/Commonwealth National Survey of Health Insurance; Kaiser Women's Health Survey, 2004; Dubay and Kenney, *Health Affairs*, 2001. Slide from KFF.

Growth in the Share of Medicaid Beneficiaries Enrolled in Managed Care, 1991-2000

Percent enrolled in managed care



1991 1992 1993 1994 1995 1996 1997 1998 1999 2000

Millions of People: 2.7 3.6 4.8 7.8 9.8 13.3 15.3 16.6 17.8 18.8

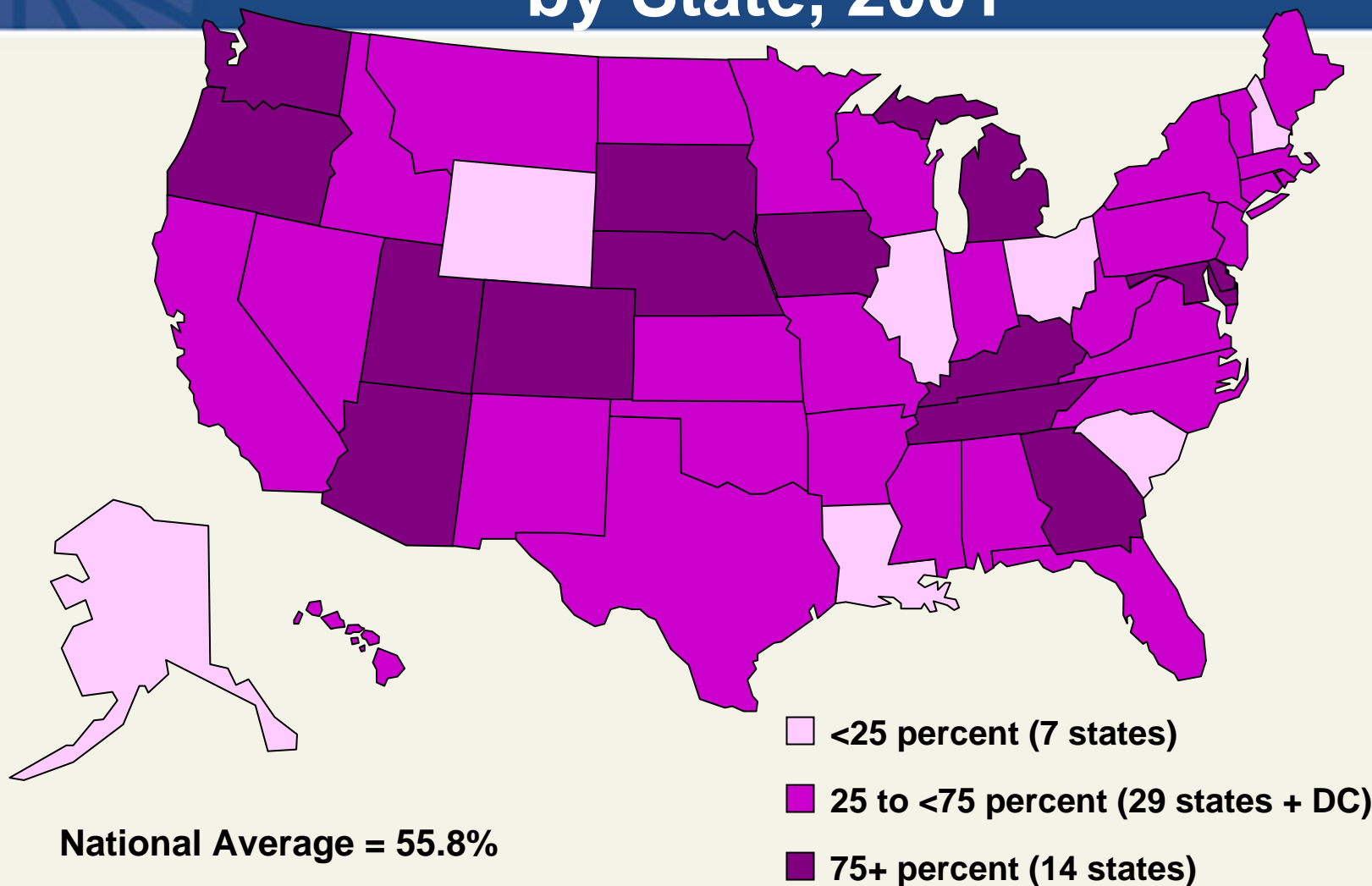
Note: Includes full-risk and PCCM arrangements.
SOURCE: CMS, 2001.



Medicaid Approach to Care

- Two states use fee-for-service delivery exclusively
- Among those that use managed care:
 - eight use primary care case management (PCCM)
 - 14 use capitated systems alone
 - 20 use both PCCM and capitation
- Of the 34 states that reported using capitation:
 - 21 exclude dual eligibles

Medicaid Managed Care Enrollment, by State, 2001



Note: Includes full-risk and PCCM arrangements.

SOURCE: Kaiser Commission on Medicaid and the Uninsured. Key Facts: MEDICAID and Managed Care. December 2001.



State Children's Health Insurance Program (S-CHIP)

- **Federal block grant allowing states to expand insurance coverage to most children under age 19 with family incomes below 200% of poverty who are not currently eligible for Medicaid**
- **States may implement program in 3 ways:**
 - **expand Medicaid**
 - **create separate insurance program**
 - **use a combination of the two**
- **About 6 million children covered.**

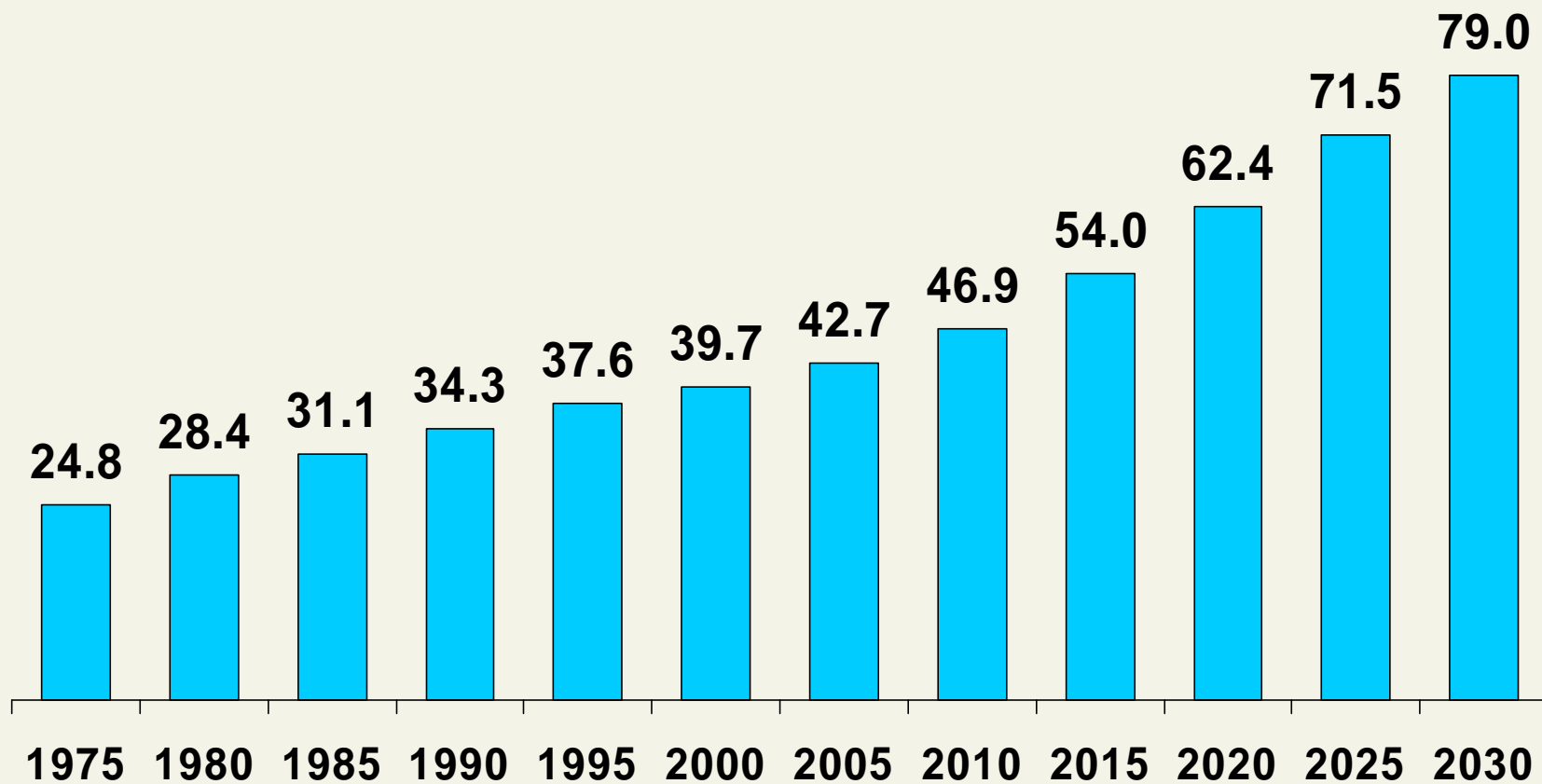
Medicare & Managed Care

Overview of Medicare

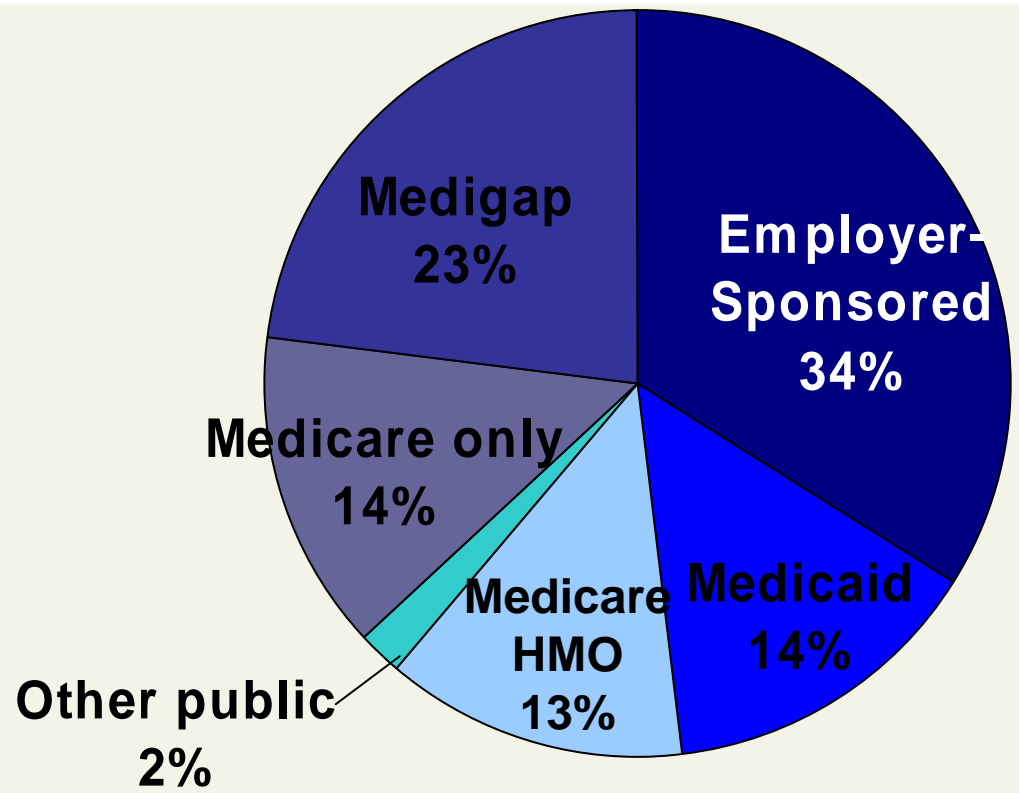
- **Established in 1965 as part of “great society”**
- **An “entitlement” program covering those over age 65 (34 M), ESRD and disabled (9 M).**
- **Operated by federal “Center for Medicare and Medicaid Services” (CMS) (formally HCFA) in Baltimore**

Medicare Enrollees Over Time

Millions of Beneficiaries:



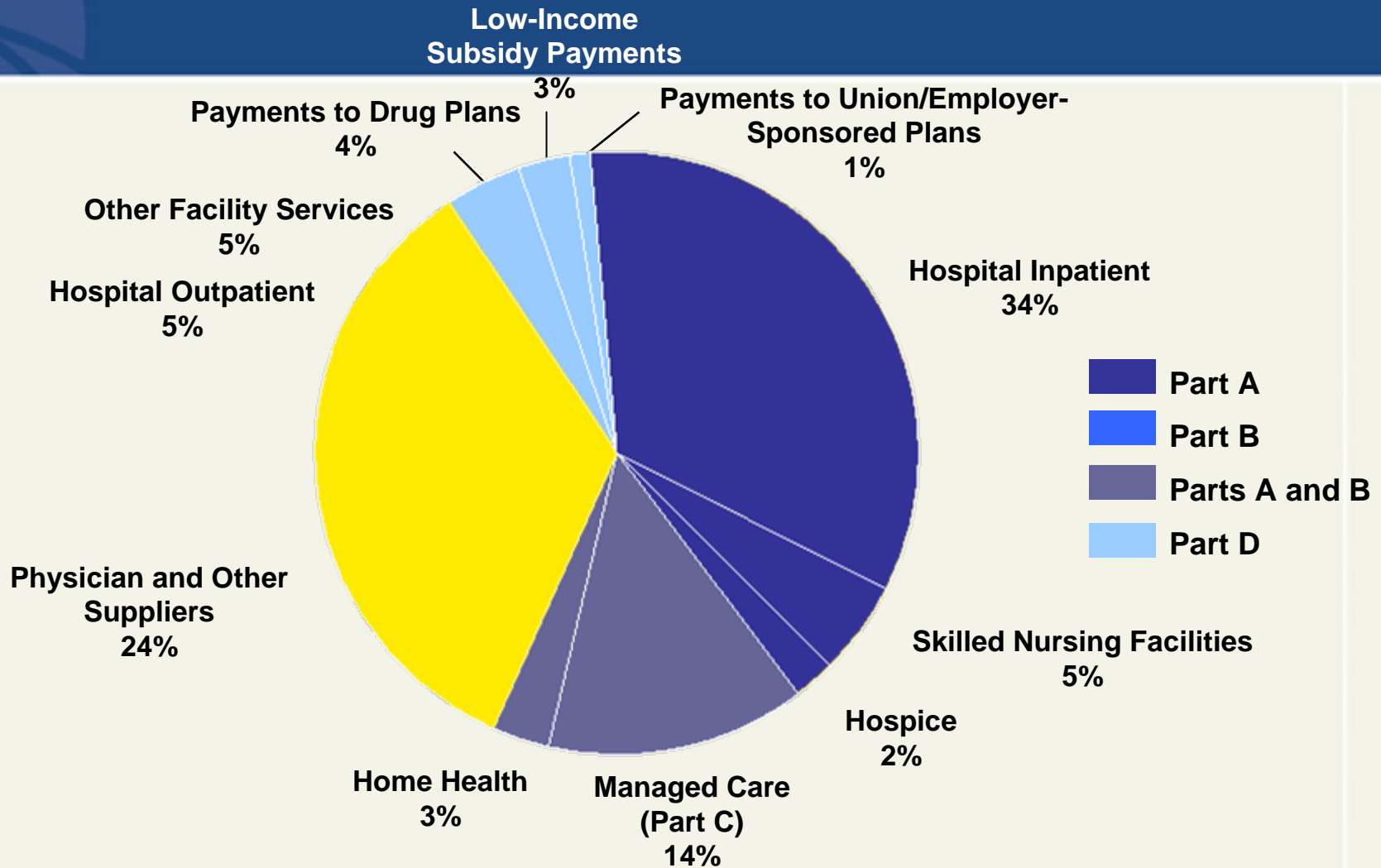
Most Medicare Beneficiaries Have Some Form of Supplemental Coverage



Total = 39.6 million non-institutionalized Medicare beneficiaries in 2002



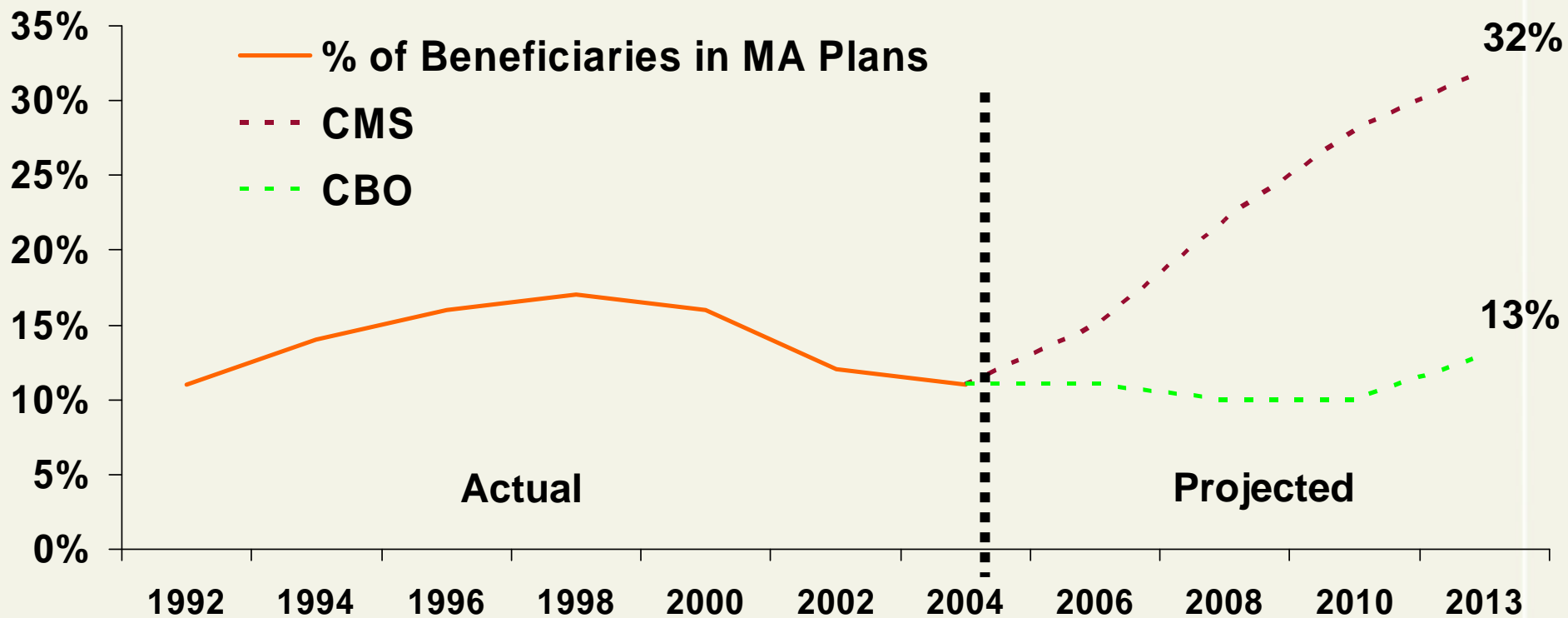
Medicare Benefit Payments By Type of Service, 2006



Total = \$374 billion

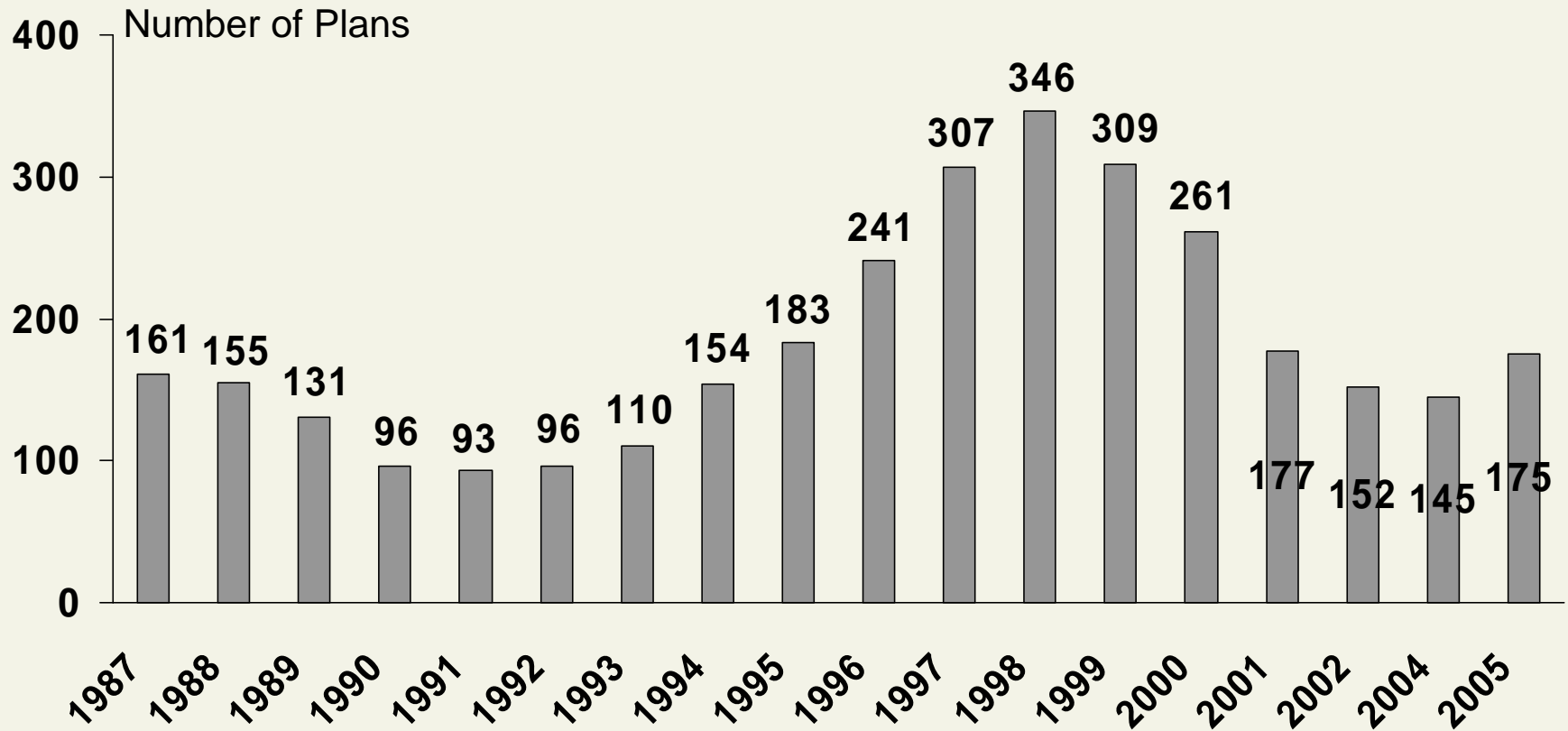
Note: Does not include administrative expenses such as spending for implementation of the Medicare drug benefit and the Medicare Advantage program.
SOURCE: Congressional Budget Office, Medicare Baseline, March 2006. Graph by KFF

Medicare HMO Enrollment Has Waxed and Waned, with Some Uncertainty About the Future



Source: KFF

Medicare HMOs , 1987-2005



Note: All data are from December of the given year, except for 2002 which are from July.
Source: CMS, Medicare Managed Care Contract Plans Monthly Summary Report.

A Brief History of Medicare Managed Care

- **HCFA's "TEFRA" / "Risk-Contract" HMO program (in existence since 1980's)**
- **"Medicare+Choice" M+C was created by the Balanced Budget Act (BBA) of 1997**
- **"MMA" Reform of 2003 (in place in 2006) expands all this via "Medicare-Advantage"**

Key Components of 2003 Medicare Modernization Act (MMA) Legislation

- Rx coverage for elderly
 - Discount cards (at first)
 - private PBMs (known as “prescription drug plans” or PDPs)
 - Help for poor and high Rx users
 - “Donut hole” coverage
 - Means tested for upper income

Reform – Cont.

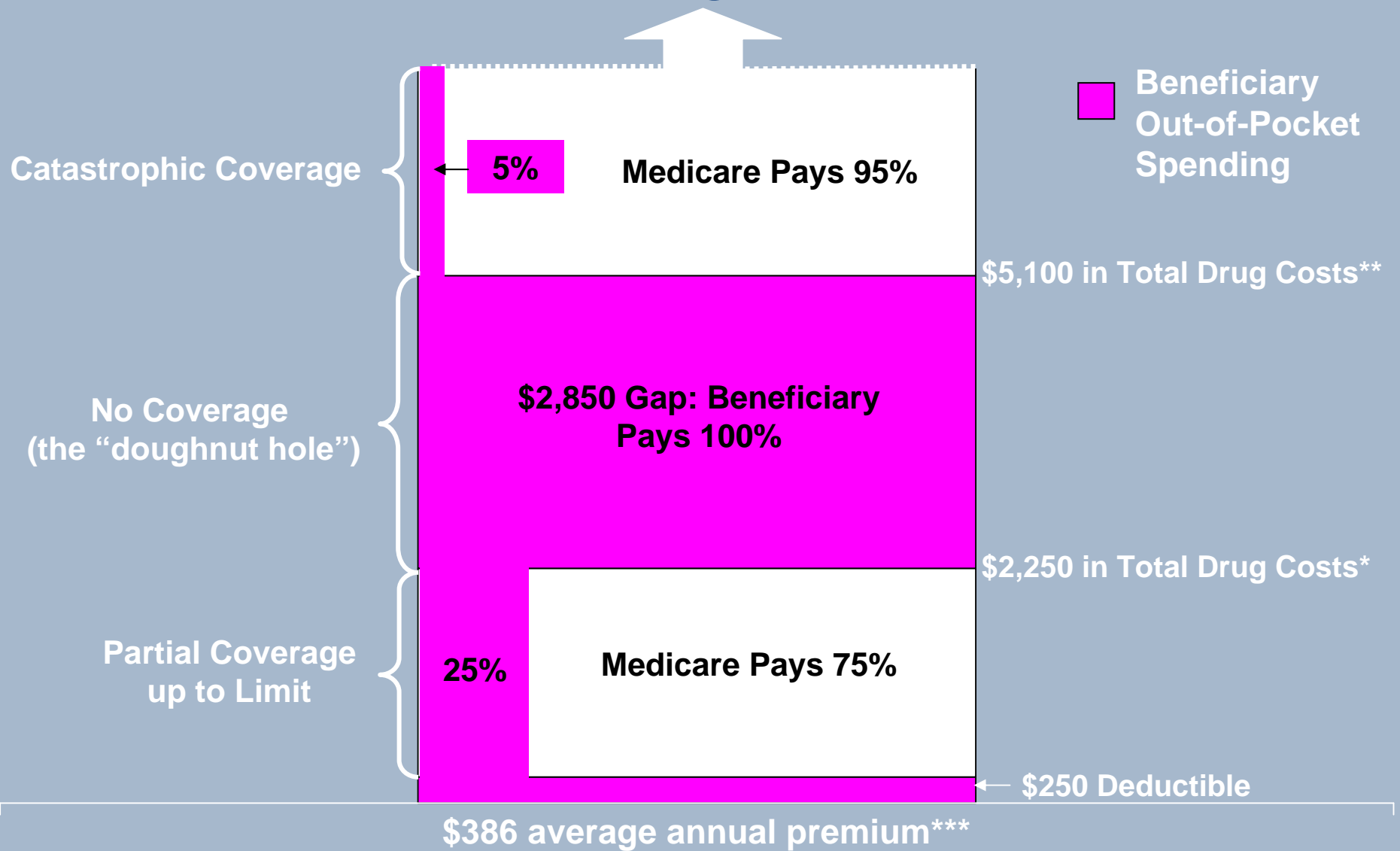
- Expansion of “Medicare Advantage” . Former M+C HMOs and other private plans. Big boost in HMO payment.
- Lots of “demonstrations” in care coordination and in competitive “premium support” models
- To get law passed in 12/03, lots of political and conceptual trade-offs between “big government” and “privatization.”

Update of Part-D Drug coverage (2006)

- **In each state as many as 80 PDP plans available from dozens of organizations.**
- **As of 2006 about 23 Million (of eligible 43 M) are in “Part –D”. (Another 15 million have “creditable” coverage” from other sources – mainly retirement plans – most get Medicare subsidy.)**
- **Of 23 million, 6 M “dual-eligible” (Medicaid), 6 Million via M+A HMOs and 10M in stand alone “PDPs”**



Standard Medicare Drug Benefit, 2006



*Equivalent to \$750 in out-of-pocket spending. **Equivalent to \$3,600 in out-of-pocket spending.

***Based on \$32.20 national average monthly beneficiary premium (CMS, 8/2005).

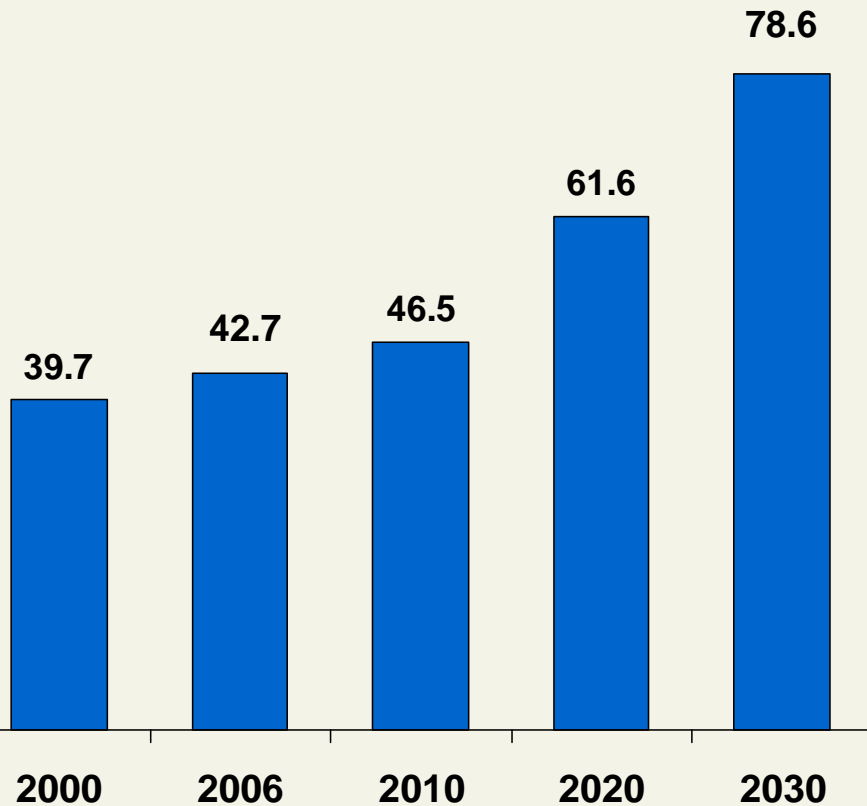
SOURCE: KFF analysis of standard drug benefit described in Medicare Modernization Act of 2003.

Update on Medicare Advantage 2006.

- There are now regional PPOs (not very popular yet)
- Payments to HMOs have increased. Some estimate up to 8% more than FFS equivalent. Was originally supposed to be 5% less than FFS.
- Several interesting RCTs of DM programs underway in FFS program (part of MMA).
- All of this is major “hot button” in Washington for future Congressional and presidential elections.

Storm Clouds in the Future : Increasing Enrollment and Decreasing Taxable Workers

**Number of beneficiaries
(in millions)**



**Number of workers
per beneficiary**

