Medicare Today and Outlook for the Future

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KFF
Most (81%) Adults in the U.S. Hold Positive Views of Medicare

The Affordable Care Act (ACA)

Social Security

Medicaid

Medicare

SOURCE: KFF Health Tracking Poll (March 14-23, 2023)
Some on Medicare Enjoy Good Health, but Many Have Significant Health Challenges

Percent of All Medicare Beneficiaries (~64 million in 2020):

- Functional Impairment (1+ ADL Limitations): 27%
- Fair or Poor Self-Reported Health: 22%
- Cognitive Impairment: 18%
- 5+ Chronic Conditions: 17%
- Under 65 with Disabilities: 13%

Many Medicare Beneficiaries Have Limited Incomes and Modest Savings, With Wide Disparities by Race/Ethnicity

Access and Cost Concerns are More Common Among Medicare Beneficiaries with Disabilities (Under Age 65) than Older Adults

Access and cost concerns among Medicare beneficiaries by age group in 2019

<table>
<thead>
<tr>
<th>Concern</th>
<th>Under 65</th>
<th>65+</th>
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<tbody>
<tr>
<td>No usual source of care</td>
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<td>Trouble accessing care in the past year</td>
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<td>Prescribed medications not received</td>
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<tr>
<td>Care delay due to cost in the past year</td>
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<tr>
<td>Unsatisfied with out-of-pocket spending</td>
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Medicare’s Cost-Sharing Requirements and Benefit Gaps Contribute to Relatively High Out-of-Pocket Costs

- **No out-of-pocket cap on cost-sharing for benefits covered under Medicare Parts A and B**
- **No out-of-pocket cap on cost-sharing for Part D prescription drugs (until 2024)**
- **Limited premium and cost-sharing assistance for low-income Medicare beneficiaries** (Subject to asset test)
- **Long-term services and supports** – very limited coverage
  - Average annual cost of semi-private room in nursing home, 2021: $108,000
- **Dental services not generally covered**
  - Average out-of-pocket spending among people using dental services, 2018: $874
- **Hearing aids and routine eye exams and eyeglasses** – not covered
  - Average out-of-pocket spending, users of hearing ($914) or vision ($230) in 2018

**NOTE:** *Except in Medicare Advantage  ** Some coverage in Medicare Advantage plans; varies across plans
The Average Traditional Medicare Beneficiary Spent More Than $6,600 Out-of-Pocket for Health Care in 2019

Half of Eligible Medicare Beneficiaries are Projected to be Enrolled in Medicare Advantage Plans This Year

Most Medicare Advantage Enrollees Are in Plans That Offer Supplemental Benefits and an Out-of-Pocket Limit for Medicare-Covered Benefits, With No Supplemental Premium

- **Vision**: 99%
- **Hearing**: 98%
- **Fitness**: 98%
- **Dental**: 96%
- **Over the Counter**: 84%
- **Meal Benefit**: 71%
- **Transportation**: 39%
- **In-Home Support**: 12%
- **Bathroom Safety**: 9%
- **Part B Rebate**: 7%

Medicare Pays 6% More for Medicare Advantage Enrollees Than for Similar Beneficiaries in Traditional Medicare

*Medicare Advantage payments as a percentage above traditional Medicare spending:*

Gross Margins per Member are Higher for the Medicare Advantage Market Than for the Individual or Group Market

Gross Margins Per Member in 2021:

- Group Market: $689
- Individual Market: $745
- Medicare Advantage: $1,730

Most Medicare Advantage Enrollees are Required to Receive Prior Authorization for High-Cost Services

- Part B Drugs: 99%
- Skilled Nursing Facility Stays: 98%
- Acute Inpatient Hospital Stays: 98%
- Diagnostic Procedures, Labs and Tests: 93%
- Home Health Services: 92%
- Physical Therapy: 89%
- Diabetic Supplies and Services: 85%
- Opioid Treatment Services: 85%
- Mental Health Specialty Services: 85%
- Preventive Services: 6%

Medicare Advantage Insurers Denied 2 million of the 35 Million Prior Authorization Requests (6%)

*Adverse and partially favorable determinations as a share of all prior authorization determinations in 2021*

- Of the 2 million denied requests, about 1 in 10 (11%) were appealed
- Upon appeal, most (82%) of prior authorization denials were overturned

Medicare Advantage vs Traditional Medicare: Tradeoffs

**Potential Advantages**

- One stop shopping – no need for separate Medigap or Part D plan
- Lower premiums than Medigap; most pay no premium other than Part B
- Plans have an out-of-pocket limit for benefits covered under Parts A and B
- Some plans offer transportation, in-home support, and assistive devices
- Potential for care coordination

**Potential Disadvantages**

- Limited provider network – most enrollees are in plans that have no out-of-network coverage
- Potential for higher out-of-pocket costs for certain services (e.g., Part B drugs)
- More utilization review than traditional Medicare (e.g., prior authorization and referrals)
- Limited ability to switch back to traditional Medicare with Medigap (due to guarantee issue restrictions)
The Medicare HI Trust Fund is projected to be depleted in 2031

Number of years to depletion


6 5 4 10 16 25 28 28 23 15 15 12 12 11 19 13 12 13 16 15 12 12 8 7 6 5 6 8

Future Challenges

• Financing Care for An Aging Population

• Improving Affordability for Beneficiaries

• Setting Fair Payments to Health Care Providers and Medicare Advantage Plans

• Meeting the Needs of the Most Disadvantaged
THANK YOU!

KFF