

Integrating LTSS into Medicare for the Individuals Over the Age of 65

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ML Strategies

Current System for Delivering Medicare and Medicaid Services

- Medicare and Medicaid operate as separate systems
 - Medicare covering physician visits, hospital stays, post-acute skilled care, and prescription drugs
 - Medicaid wrapping around Medicare coverage and providing LTSS
- Lack of coordination between the programs
- Incentives for cost shifting
- Poor outcomes and increased spending

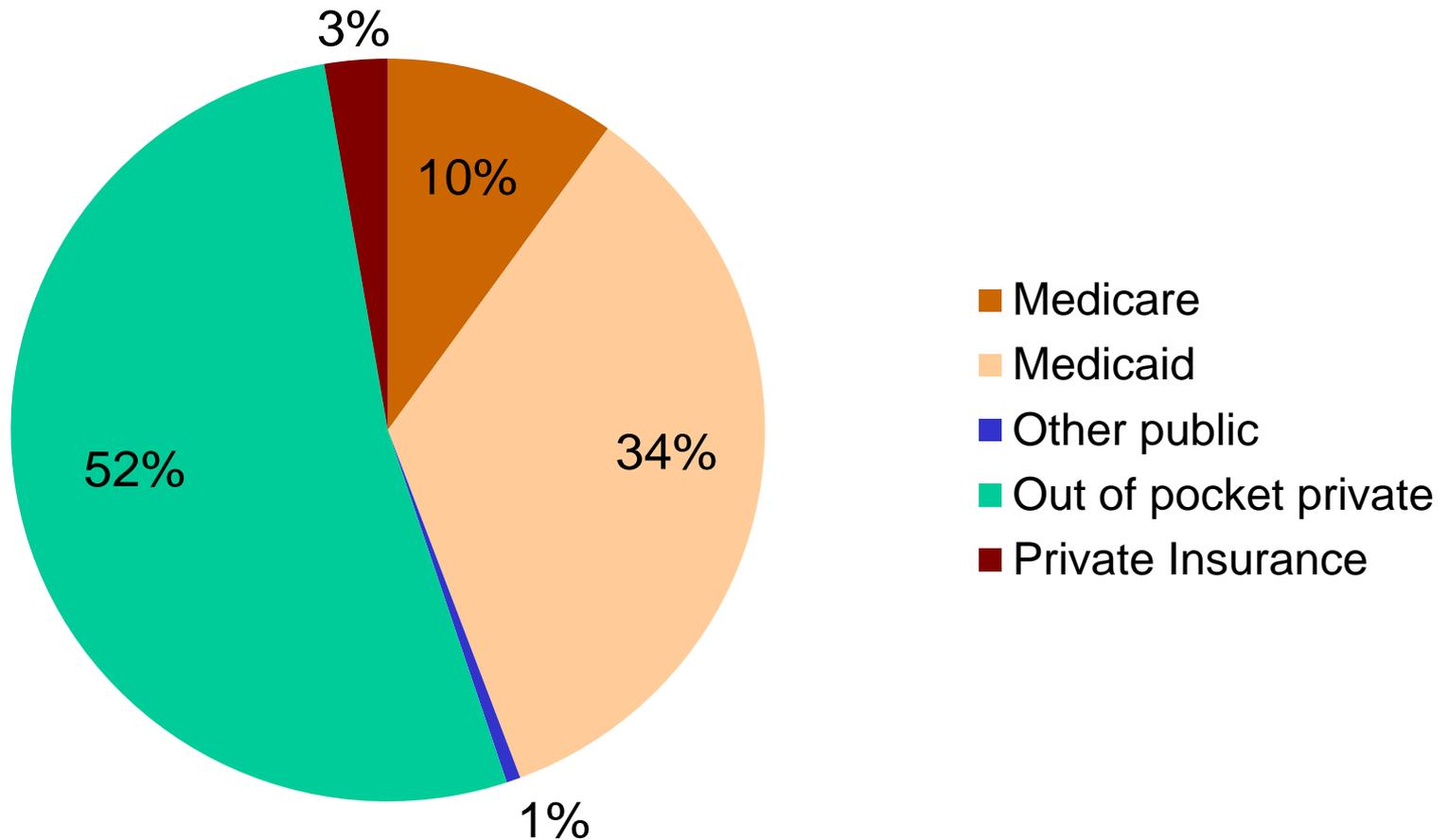
Obtaining LTSS Under the Current System for Individuals Over 65

- Self fund / use life savings
- Rely on family for services
- Spend down to Medicaid eligibility
- Some private insurance

Medicare and Medicaid Spending

- In 2012, Medicare spent \$187.0 billion and Medicaid spent \$118.8 billion on dually eligible beneficiaries
- Medicaid institutional LTSS per person spending was \$42,139 or 50% of total Medicaid spending on FFS dually eligible beneficiaries
- Medicaid home and community based services (HCBS) waiver services per person spending was \$30,095 or 24% of total Medicaid spending on FFS dually eligible beneficiaries

Percent of LTSS Spending 2015 by Payer



Rethinking Delivering LTSS to Individuals Over 65 Through Medicare

Drugs v. LTSS

Intensity of Utilization

Tips from CBO's consideration of Part D Cost Reduction Factor (CRFs)

- **General Rule:** financial risk incentivizes control cost
 - **Incentives** for cost management
 - Providers: Full-risk bearing plans v. limited-risk bearing plans
 - Beneficiaries: exposure to financial risks decided by premium level/cost-sharing – will in turn affect competition among plans
- Comparing to traditional indemnity insurance plans, Part D achieves savings through:
 - Negotiating price discounts or rebates from drug manufacturers and pharmacies;
 - Controlling overall drug use; and
 - Changing the mix of drug used

Comprehensive v. Catastrophic LTSS Coverage

- Catastrophic coverage limits coverage to LTSS after the individual spends significantly for those services
- Catastrophic coverage is easier to control costs to the taxpayer
- Comprehensive coverage covers all services across the continuum
- Comprehensive coverage has a greater cost reduction factor

The Most Efficient Model

- Having a unified payer responsible for all services is the most efficient structure for the provision of Medicare and Medicaid services that require coordination between programs
- One payer needs to be in control of individuals for all their care needs at risk and with assignment

A Model to Create LTSS Coverage for All Medicare Beneficiaries

- How it would work:
 - Competing, private plans would offer a product that covered all services for Medicare Beneficiaries ... Parts A, B, D, and ‘E’
 - These private plans would set premiums to spread risk across all beneficiaries ... both healthy and sick
 - The private plans would have an extremely strong incentive to manage the care and cost of beneficiaries ... particularly those at risk for LTSS

Five Key Principles in Providing the Most Efficient Care

- Care Across the Continuum
- Provider Risk
- Assignment
- Full availability and participation
- Quality measures

LTSS Eligibility Requirements

- Agreed to language on determining functional eligibility

Controls

- Requiring all Medicare beneficiaries to participate
- Phase out of Parts A and B FFS
- Three R's: risk adjustment, reinsurance, and risk corridors
- Income related cost sharing

Improvements Created through this Model

- Fewer individuals entering Medicaid through the spend down eligibility category
- Increased access to LTSS services
- Everyone pays into the LTSS system and pre-pays for services they may or may not use
- Improved quality of care
- Reduced costs

Putting the Idea on the Table

- This is a radical restructuring of Medicare and Medicaid
- There are pieces to this idea for all sides to hate
- Conservatives will call it an entitlement expansion
- Liberals will call it a privatization of Medicare
- Dispassionately, this is an effort to provide efficient care and save money through a more efficient redistribution of dollars already being spent in arguably indefensible ways
- Is this really so outlandish when sitting beside some of the more arbitrary proposals out there?