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

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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

- Medicare: 52%
- Medicaid: 34%
- Private Insurance: 3%
- Out of pocket private: 10%
- Other public: 1%

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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 individuals 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?