2016 MAKING ISSUES COUNT

MEDICARE BUY-IN OPTION

ONE METHOD OF EXPANDING HEALTH INSURANCE COVERAGE that policymakers have considered as part of the health care election platforms is a Medicare buy-in option. The idea is that a subset of those individuals not eligible for Medicare be allowed to buy in to Medicare for their health insurance coverage. Currently, eligibility for Medicare begins at age 65, or younger for those receiving Social Security disability benefits. A buy-in program would set a lower age for general eligibility, such as 50 or 55, at which age individuals may opt to buy in. Such a program would also have other beneficiary and health care system implications.

A buy-in program would set a lower age for general eligibility, such as 50 or 55, at which age individuals may opt to buy in. Such a program would also have other beneficiary and health care system implications. There are approximately 63 million Americans between age 50 and 64. If a Medicare buy-in option is implemented for this age group, those mostly likely to participate are those who are uninsured (about 7 million) and those who purchase individual health insurance (about 9 million).[1] Most people in this age cohort currently get their health insurance through employer-sponsored coverage, as either an active or retired employee. Because employers usually subsidize a substantial portion of the cost of the coverage, a Medicare buy-in would be less financially beneficial for these individuals. Some exceptions are those electing COBRA coverage (no employer subsidy) and some early retirees with coverage that includes no or a low employer subsidy.

If the benefits, access to care, and total costs of a Medicare buy-in option compared favorably to existing options, the uninsured and those who purchase individual coverage may find a Medicare buy-in option advantageous. Significant differences between individual market coverage and Medicare, however, make a comparison of the benefits and costs to the individual a complex matter.

1 "13 Million Adults Could Be Eligible to Purchase Medicare Coverage Under Proposed Clinton Plan," Avelere.

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Beneficiary Considerations for Medicare Buy-In

Health Care Benefits

Medicare and typical private insurance plans cover hospitalization, outpatient and professional services, and prescription drugs. Medicare covers these under three separate parts, A, B, and D, each with its own set of cost-sharing rules that are not integrated and do not provide an overall cap on beneficiary out-of-pocket spending.[2]

Private insurance plans, whether individual or employer-based, may provide a more comprehensive benefit package than Medicare. These plans typically integrate all benefits and limit total member out-of-pocket spending. Under the Affordable Care Act (ACA), out-of-pocket expenses are further reduced for eligible individuals with incomes under 250 percent of the federal poverty level.

Provider Access and Continuity of Coverage

While Medicare benefits may not be as comprehensive as those available through private insurance, Medicare beneficiaries generally have a broad choice of providers, including nearly all hospitals. In comparison, many private health insurers have a defined set of health care providers that members can access, which may not include all doctors or nearby hospitals.

Allowing early eligibility into Medicare can enhance continuity of care if the beneficiary is covered under a single system for a longer period of time.

Premiums and Subsidies

The term "buy-in" assumes some level of required premium payment by the individual. The level of premium and the associated level of government subsidy, if any, would be key design elements. Premiums may be based on the actual expected cost for Medicare to provide the benefits for this population, making it self-sustainable, or they may be set below expected costs, requiring other government revenue to support the program. Premiums may vary by demographic factors, such as age or geography of the covered individual—similar to those in the private individual market—or by income, as Medicare Part B premiums are set.

The program also may be designed to include premium subsidies, similar to the advance premium tax credits available to qualifying individuals who purchase coverage through an ACA exchange. Subsidy eligibility also could be tied to whether the individual has another form of coverage, such as through an employer.

In setting premiums and subsidies, policymakers would need to consider how these relate to other available coverage programs. If premiums were set higher than other coverage options, the program may not be affordable or attractive to individuals. Conversely, if they were set lower than other coverage options, the program may attract individuals who already have employer-based coverage, or may lead to reductions in employer-subsidized early retiree coverage.

Health Care System Considerations for Medicare Buy-In

Impact to Medicare and Medicaid

Policymakers would need to consider the impact of a buy-in option's design and financing on the overall Medicare program and its interaction with state Medicaid programs. Current Medicare premium levels do not vary by age, even though the program costs do. Including a younger population might lower per capita costs to Medicare, but those choosing to buy in may be less healthy and generate higher costs. If the premiums, less any subsidies, do not cover the actual additional health care costs, Medicare's financial condition would deteriorate.

2 Medicare Advantage plans (Part C) offered through private insurers have some flexibility in cost sharing that may allow for more integrated cost sharing, but they also may limit provider access.

Currently, low-income Medicare beneficiaries also can qualify for Medicaid benefits. Policymakers would need to consider whether to extend this benefit to those entering Medicare via a buy-in option and the implications for states' Medicaid programs and budgets.

Impact on Exchanges and Individual Insurance Markets

Introduction of a Medicare buy-in program could have a significant impact on the ACA exchanges. In 2016, 27 percent of exchange enrollees were age 55–64.[3] Shifting some of this group to Medicare could reduce premiums for others in the individual market,[4] but could also have a negative impact on operations, especially state-run exchanges that rely on larger enrollments for financial support.

Impact on Employer Coverages

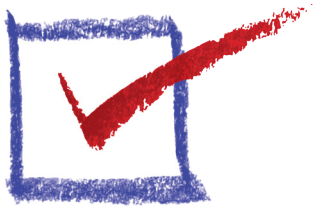
Reform ideas that have the potential to expand governmental financial involvement always raise questions of whether employers will react by diminishing their involvement in providing health care coverage. Employers are concerned about health care costs for workers and covered retirees in the very age group that a Medicare buy-in program would target. Employer support for early retiree coverage, already diminished in the past 25 years, would probably give way in many cases to a Medicare buy-in program, depending on benefit and premium levels.

Impact to Health Care Providers

Medicare typically pays providers less for services compared to private insurance plans. If the Medicare buy-in program results in individuals switching from private plans to Medicare, providers may see a reduction in their compensation. On the other hand, if the Medicare buy-in program reduces the number of uninsured individuals, for some providers—especially hospitals—the lower reimbursement rates may be offset by a decrease in uncompensated care.

Conclusion

In designing and implementing a Medicare buy-in option, policymakers would need to consider many aspects of the program, such as eligibility criteria, the expected costs, and setting premiums and subsidies for affordability, as well as the implications on other programs, such as the ACA, employer-sponsored coverage, and Medicaid.



3 "Health Insurance Marketplaces 2016 Open Enrollment Period: January Enrollment Report—For the period: November 1–December 26, 2015," Department of Health and Human Services.

4 Under the ACA, there are limits on age rating, resulting in premiums for younger enrollees subsidizing premiums for older enrollees.