Medicare: Fiscal Challenges

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MEDICARE ANALYSIS PREDICTS INSOLVENCY OF THE FUND BY 1990

By Robert Pear, Special To The Times
June 25, 1983

Figure 1. Projected Number of Years Until Medicare HI Trust Fund Insolvency

Note: No specific estimates were provided by the Medicare trustees for years 1973-1977 and 1989.

What If We Ran Our Personal Finances This Way?
Takeaways

• COVID-19 was terrible –

• Recent Health Reform efforts are largely unsuccessful:
  – 30 years of delivery system reform efforts...
  – FFS price controls failed to control expenditure growth
  – A decade after its inception CMMI has not bent the Medicare program’s cost curve
## No Wonder Medicare is Expensive

<table>
<thead>
<tr>
<th>Feature</th>
<th>FFS</th>
<th>MA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provider Network Inclusion</td>
<td>99%</td>
<td>41% (average)</td>
</tr>
<tr>
<td>Network Design</td>
<td>Any Willing Provider</td>
<td>PFFS, PPO, HMO</td>
</tr>
<tr>
<td>Price Negotiation</td>
<td>(-) Providers cannot negotiate price</td>
<td>(+) Providers negotiate price</td>
</tr>
<tr>
<td>Utilization Review</td>
<td>No*</td>
<td>Yes</td>
</tr>
<tr>
<td>Members Enrolled Until Their Departure</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>Pharmacy Benefit Manager</td>
<td>Managed Competition Model</td>
<td></td>
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</tbody>
</table>
Increase revenue
and/or
Cut expenditures
and/or
Apply “other” levers
Programmatic Reforms

• **Transform CMS**
  – Plan operator -> market regulator

• **Risk-adjusted capitation**
  – The beginning of meaningful a budgetary framework

• **Reform MA**
  – Implement competitive bidding inclusive of FFS
  – Create a pragmatic comparison for MA v. FFS
  – Change default enrollment to MA