

# Medicare TR Discussion of the Sustainability of Current Law, and the Alternative Law Projections

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# Introduction

- Since the ACA became law, every Medicare Trustees Report has:
  - Warned that the law is likely to be unsustainable and that costs therefore will likely be substantially higher than the current law projections, and
  - Has referenced alternative law projections illustrating the degree to which the current law projections might understate costs.
- The same is true for MACRA since it became law.
- Prior to MACRA, the same was true for the Sustainable Growth Rate methods for setting physician reimbursement rates (SGR).

# Introduction

- Prior to the ACA, the alternative law projections were made with respect to SGR only.
- The SGR payment rates were overridden in every year between 2003 and 2014, and it became obvious the path of least political resistance was repeated overrides.
  - As the overrides were normally last-minute, CMS was forced to anticipate probable overrides when setting Part B premiums.
- The alternative-to-SGR projections began with the 2007 Medicare Trustees Report.

# Introduction

- A case has been made that the ACA was analogous to SGR.
- However, a strong case can be made that the ACA is not analogous to the SGR and has been a major proponent of eliminating the alternative-to-ACA projections.
  - Unlike the SGR, any bias in the ACA cost projections is in the distant future and have no implications for the current management of the program.
  - Unlike the SGR, the sustainability of the ACA is uncertain, and the likely policy response if the ACA were to become unsustainable is highly speculative.
  - Unlike the SGR, the alternative-to-ACA projections impart no useful information to policymakers that cannot be imparted with a discussion of the problems that could arise if the ACA were to remain in place over the entire 75-year projection period.

# Introduction

- The case can be made in the context of the ACA, but they also apply to MACRA.
- We will now present the case for ACA with the understanding the same applies to MACRA.

# The Point of the Projections, and Projections versus Predictions

- The projections are useful for formulating policy only if they are premised on current law.
  - The point of the projections is inform policymakers of consequences of leaving current law in place so they can assess the need to change the law.
  - What is the use to lawmakers of a projection premised on a prediction of what they will do?
- Because a proper projection is premised on current law, and makes no judgment about the likelihood the law will in fact remain in place, the projection is not a prediction.
  - A projection should not be deemed faulty because the law on which it is premised is likely to change.
  - Consider, for example, the current projection that the OASDI Trust fund will be depleted in 2034. Most of us don't believe that will prove true because the law will change. But that doesn't diminish the value of the projection.

# Discussing Possible Problems if the ACA (and MACRA) Remains in Place

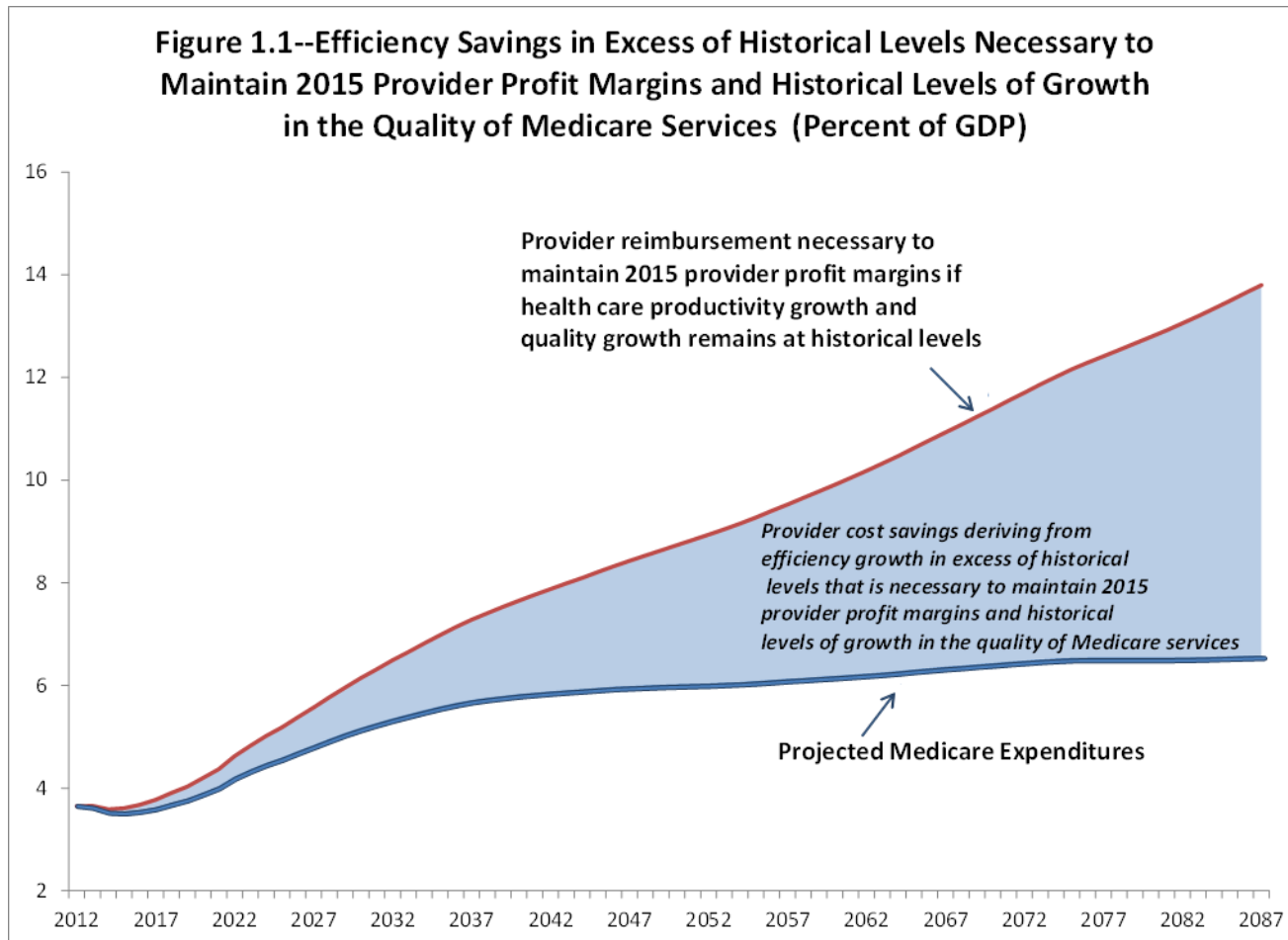
- As the CMS presentation indicated, the Medicare TR includes some discussion of the effect the ACA might have on provider profit margins and their willingness to provide Medicare services.
  - This discussion could be expanded upon.
  - One possibility not now discussed is that Medicare beneficiaries will be driven to Medicare Advantage as Fee-for-Service providers become scarce.

# Discussing Possible Problems if the ACA (and MACRA) Remains in Place

- To make the challenges ahead concrete, the TR could include estimates of the efficiency gains Medicare providers must achieve relative to past trend in order for their profit margins not to decline relative to the most recent historical year (say 2015).
- CMS's estimates that recent annual productivity growth in the health care sector has been 0.4 percent. If that rate of productivity growth were assumed to continue, it is straightforward to project the 75-year path of Medicare reimbursements that would be necessary to maintain 2015 profit margins, and that path could then be compared with the current-law projection.



# Made-Up Prototype of Chart That Could be Included in TR



# Conclusions

- One can make a strong case that :  
The sustainability challenges of the ACA and MACRA should be discussed in the TR, but not in the form of an alternative law projection.
  - The alternative law projection should be eliminated.
  - The TR discussion of the possible problems that could arise if the ACA and MACRA remains law should be expanded
  - The TR should include a chart like the one discussed