

**2016 TECHNICAL REVIEW PANEL
ON THE MEDICARE TRUSTEES REPORT
Minutes of the Meeting Day May 2, 2017**

The Technical Review Panel met on May 2, 2017 at 9:30 AM in Room 738G of the Hubert Humphrey Building in Washington, D.C. In attendance were the following panel members and presenters:

- Ellen Meara (Professor, The Dartmouth Institute for Health Policy and Clinical Practice), co-chair
- Michael Thompson (President & CEO Elect, National Business Coalition on Health), co-chair
- Kate Bundorf (Associate Professor, Stanford School of Medicine)
- Melinda Buntin (Professor and Chair, Department of Health Policy at Vanderbilt University School of Medicine)
- Austin Frakt (Health Economist, Department of Veteran Affairs and Boston University)
- Mark Pauly (Professor, Wharton School of the University of Pennsylvania)
- Geoffrey Sandler (Senior Actuary, Health Policy at Aetna)
- Greger Vigen (Independent Health Actuary)
- Dale Yamamoto (Founder and President, Red Quill)
- Don Oellerich (Deputy Chief Economist, Assistant Secretary for Planning and Evaluation at the Department of Health and Human Services)
- Paul Spitalnic (Center for Medicare & Medicaid Services (CMS), Office of the Actuary (OACT))
- Clare McFarland (CMS, OACT)
- Stephen Heffler (CMS, OACT)

Opening Remarks- Ellen Meara

Ellen Meara began the meeting with discussion of the agenda and goals of the final meeting. The goals are:

- Settle the unsettled areas in the draft report
- Identify concrete action items to get to the final report
- Document the expert views and put in proper references to back them up (assisted by RTI International)
- Make sure that the panel covers the six major topic areas:
 - Long-range Medicare per-beneficiary expenditure growth assumptions for HI and SMI
 - The sustainability of key Medicare cost growth factors under current law
 - Current assumptions regarding changes in utilization of care
 - Current and alternate approaches to providing high and low cost options or conveying uncertainty around Medicare projections more generally
 - Transitions from short-range to long-range projections
 - Recommendations for areas of future research to improve long term projection methods

The panel agreed to focus primarily on substantive issues. Style and wordsmithing will continue outside of the panel meeting. Ellen Meara noted that the introduction section will incorporate comments from all panel members.

The Sustainability of Medicare Cost Growth Factors in Current Law Continuing an Illustrative Alternative

Kate Bundorf introduced the topic of sustainability noting that potential Congressional action is hard to predict though knowing potential futures may be useful. The recommendation is that the report continue to present an illustrative alternative. The panel agreed to focus on provider payment rates created by the ACA and MACRA because these represent big changes to rates of growth of provider payments and represent a potential for big changes to the program in the future. These potential scenarios should not be viewed as an endorsement. Kate Bundorf noted that the report text indicates that the illustrative alternative is not a policy recommendation, but it is one possibility for the future. The panel members also discussed highlighting the illustrative alternative as one type of sensitivity analysis.

Long-Run, Short-Run, and Medium-Run Assumptions Regarding the Illustrative Alternative

Greger Vigen reviewed the sections on long-run as well as short- and medium-run assumptions regarding the illustrative alternative. The findings are generally to keep doing what is being done currently. A panel member raised a question regarding the general structure of the report asking whether there should be some background prior to findings and recommendations. The panel agreed that for each major heading there will be a couple of sentences talking about the background before presenting the findings and recommendations.

Start Date to Transition from Short-term to Long-term Assumptions for Illustrative Alternative

Greger Vigen presented the recommendation on the start date to transition from short-term to long-term assumptions for the illustrative alternative. The panel discussed whether this date should be 2025 or some other date.

The rationale for delaying the hospital updates is that there is no longer a sense that the hospital updates will be an urgent issue, and that immediate impact from the hospital updates is unclear. The panel discussed rethinking the start date. Paul Spitalnic mentioned that the recommendation to push out the start dates is more important and the actual date is less important.

The issue surrounding hospital updates is a complex one, as there is wide divergence in the private sector in terms of productivity. MedPAC has done a fair amount of work analyzing the hospital payment updates and they do not find evidence for an early start date for hospital updates. On the other hand, Medicare margins are as low as they have ever been, and hospitals continue to hire at high rates, which calls for productivity improvement. In addition, the Medicare payments are to be examined in the broader context of payments from other sectors such as the private sector and the drug sector. Greger Vigen will add text on both the hospital updates and the physician updates for the panel to consider.

Next the panel turned to the topic of access. The panel discussed whether to include the topic in this section or to take it out as a stand-alone topic later in the report. Greger Vigen explained the rationale for including mention of access in this section since physician and hospital fees will affect total compensation. Physicians decide whether to stay in the market or to leave based on their total compensation which then affects access. The panel discussed further integration of the access topic in this section.

Sustainability and Response to Medicare Reductions in Payment Updates

The panel then turned to the topic of access in the sustainability section. Ellen Meara raised that there is not a lot of evidence of what the provider response will be to changes in payment levels and what the impact will be on access. Paul Spitalnic noted that there is evidence that the proportion of hospitals with low margins is expected to increase. Steve Heffler also noted that on the physician side, payment updates (versus SGR) are falling relative to Medicaid and commercial prices.

A panel member noted that hospital closure and consolidation do not necessarily lead to a reduction in access. Existing hospitals could adapt. Efficient hospitals may continue to be efficient and inefficient ones may close.

A panel member added that the Medicaid evidence is indirect since it covers a different population. Changes in Medicare payments may not necessarily result in the same effects that we see in Medicaid. There may be other reasons that physicians respond differently to Medicaid payment than payment for Medicare.

Another panelist noted that researchers have found differing responses to changes in payment rates. The evidence is ambiguous the panel member suggested that this is a topic for serious study and research for OACT and MedPAC.

OACT asked the panel to clarify the main recommendation and purpose in separating out the access issue. Specifically asking for clarification on whether it is necessary to explicitly model access or whether current law projections should be adjusted to accommodate the access issue. MedPAC does think about the access issue, and the question is whether the Trustees Report should take that on as well (since it's currently focusing on the financial aspects of the future state of Medicare).

The panel also discussed the topic of lessening the importance of the illustrative alternative. OACT agreed that the probability of an SGR-like override in the near future is significantly less but noted that the long-term impact of the current law is stronger than under the SGR and here there is greater uncertainty. Are there impacts other than access? If payment rates do not keep up with the underlying costs, what are we facing? What does it mean for payment rates not to keep up? We don't know what private payment rates are going to be like, and we don't know how different providers will react to payment reductions.

Panel members then went around the room and offered thoughts on the access topic. Mike Thompson agreed that the illustrative alternative should stay in the report but recognize that it is a longer-term issue rather than a shorter term issue. He suggested including a more nuanced discussion of compensation and access and their interplay. In the longer term the discussion needs to be about sustainability.

Kate Bundorf added that she supported keeping the findings and recommendations but with small changes. To achieve the baseline recommendation we would need to have big changes to our delivery system. She noted that the panel could have a recommendation that access should be monitored or to look for a measure of access.

Geoff Sandler noted agreement with the discussion on the topic of access. He noted that there is not enough evidence to indicate the potential impacts on access. The topic can be restricted to frame it to say that the system is evolving and anything built on assumptions of fee-for-service may not be valuable in the long-run as we move away from fee-for-service payment models.

Dale Yamamoto added that the issue of access is an important reason for having the illustrative alternative. Mark Pauly added that this is an area for future study, particularly with respect to alternative payment models though the panel needs to also consider the consequences of current

law. He added that the panel should indicate the consideration of access issues but also noted agreement that there is not data to say what will happen.

Melinda Buntin noted that there should be at least one finding and recommendation related to access to explain what the illustrative alternative is and is not. She also noted agreement with a call for more research in this area. This is consistent with the finding and recommendation that there be more explicit discussion of multiple alternative scenarios.

Greger Vigen offered suggestions of how to incorporate this into the working draft report. He noted agreement with the discussion that access needs to be a balanced discussion. He also noted panel consensus on the idea that the health care system may not be working the same way in coming years. He also raised the point that the panel may not want to be too prescriptive in the language used in the report. Ellen Meara noted agreement and summarized that what is currently a recommendation to study access in the current draft report will be integrated into other material and there will be no specific recommendation regarding the study.

Austin Frakt added that it is hard to distinguish between political problems and real problems. He noted the value in monitoring access. Ellen Meara added that the report refers to access as a justification for the illustrative alternative but there is plenty of justification for the illustrative alternative. She added that the projections need to continue to think about the implications of alternative payment models. The world is changing but the current law is still built on fee-for-service assumptions. The panel concluded the discussion noting that a few panelists will draft this section.

Part D Findings and Recommendations

Dale Yamamoto described the content of the write-up on Part D. He noted that the recommendations have been softened due to better understanding of methods and assumptions. He also noted that the starting point for this work was the prior panel recommendations. The projections for the number of Part D participants is reasonable and continued monitoring of what employers are doing with regard to the retirement drug subsidy is reasonable. Dale Yamamoto added that it will be valuable to document and highlight the assumption that the reinsurance trend is higher than the standard benefit cost trend. This is done currently but not documented. He also added a recommendation that OACT study the cost management techniques that have been used by current Part D insurers to better understand if they have influenced the historic cost trends. Dale Yamamoto raised the idea of collecting data to be able to understand the effect of Part D on Part A and Part B going forward. The panel discussed the timeframe of the effects and clarified that this is long-term effect. Offsets are implicitly addressed in the short-run. Paul Spitalnic added that that this recommendation suggests looking at the utilization effect, in addition to the price effect, of Part D on Part A and Part B.

A panel member noted that price and quantity are being modeled together so it is hard to pull them apart. The panel member also added that the drug pipeline looks different than in recent history and this is worthwhile to consider studying. Another panel member added the value in considering the magnitude of offsets. Steve Heffler clarified that in the factors model Part A, B, and D all grow at the same rate so there is some redistribution since the model is at the aggregate level. The panelists noted that looking at number of prescriptions is a simplified measure of

growth. OACT noted that it would be helpful to add more clarity to what should be studying and how this will inform considerations in long range modeling.

Drugs in Part B (IV drugs) and Part A (given in a hospital)

Mark Pauly started the discussion noting that Part B drugs have not been much of a focus in projections though insurers and are indicating that these drugs are affecting their bottom line. The panel members discussed whether the issue with Part B drugs is about offsets or differences in trends. OACT noted that the rate of increase is high for Part B drugs but overall, these drugs are a relatively small proportion of total expenditures. Panel members discussed the pipeline of oncology drugs and how this might affect future trends. Panel members agreed that it will be important to monitor the trends and net cost in utilization of Part B drugs. OACT also noted that understanding the relative allocation or distribution of drugs between Part B and Part D is important. There are shifts here and monitoring these shifts and updating projections accordingly will be important to consider.

Adjustments to Long-range Projections

Kate Bundorf summarized the panel recommendation that the report continue to incorporate an assumption that the ACA will have no or small negative impact on the long-range growth rate of volume and intensity of services per beneficiary. The panel had discussed that there is not new evidence so there is no reason to change the recommendation at this time. The panel discussed the recommendation further and noted the flexibility that is part of the program currently which allows for ongoing modifications. Paul Spitalnic posed a question to the panel asking if what is currently being done with the minus 0.1 is reasonable or if the panel is more comfortable with the language of small negative. The panel noted that 0.1 is not unreasonable though language of small negative gives more latitude.

Medicare Advantage Spillovers

Austin Frakt worked on a finding an recommendation related to Medicare Advantage spillovers. The finding is that the panel finds that the approach used by the trustees for incorporating Medicare Advantage into traditional Medicare spillovers is generally reasonable. The recommendation is that the panel recommends that the trustees and OACT more clearly document how current projection methodology incorporates these spillovers as well as other endogenous market and institutional changes to health insurance and the Medicare program. A panel member raised the question of if this is addressing the growth of Medicare Advantage relative to traditional Medicare since the effects of spillovers will depend on the distribution of beneficiaries between the two programs. Paul Spitalnic asked for clarification on the word “generally” and Austin Frakt noted that the word is not necessary here and will take it out of the next draft.

Changes in Distribution of Spending by Age and Sex

Ellen Meara opened the discussion on spending by age and sex. The first finding is that Medicare spending has grown much more rapidly in older ages compared with younger ages for two reasons, increased use of post-acute care, and changes in expected time to death as longevity has increased. The second finding is that the panel finds that the current approaches to spending

projections most likely to be impacted by growth and post-acute care at older ages are reasonable. The next finding is that the interaction of age and spending has changed over time in ways that are only partially accounted for in the trustees report due to the relationship between rising longevity and time to death. This recommendation came from the extensive modeling that OACT has done. The panel recommends that time to death be incorporated into projections to account for the impact of rising longevity and changes in health on the age/sex distribution of spending over time. Paul Spitalnic raised whether the recommendation might incorporate language for considering or developing approaches to address these issues.

Shifts in Setting of Care Near the End of life

Ellen Meara summarized some of the earlier discussion on this topic and the conclusion that there is not sufficient evidence on a shift in settings of care at the end of life. The report will mention the review of the literature and note that the trustees may want to consider tracking the share of patients dying in acute inpatient settings, and the average inpatient cost near the end of life. The panel discussed developing a recommendation from this since laying the groundwork for an approach to monitoring may be important.

Transition from Short-Range to Long-Range

Ellen Meara started the discussion indicating that the prior panel had noted that the transition should be considered. A panel member had suggested in an earlier meeting the potential of blending the short run and the long run in the transition. The group did explore the potential of blending and the results showed that it did not make much difference. Based on this, a finding of the current panel is that the current approach to the transition from short-range to long-range is reasonable. The panel also agrees that the length of the transition is reasonable. The panel discussed the difference between findings and recommendations and whether affirming the status quo should be a finding or a recommendation. The panel also discussed that a one year discontinuous change is implausible, but it is not unreasonable to project it this way. The panel members will continue to review the language here.

Conveying Uncertainty Around Baseline Projections

Melinda Buntin opened the discussion of uncertainty with a finding acknowledging uncertainty and that there are multiple ways in which uncertainty is communication. The greatest source of uncertainty is around per capita Medicare cost growth and this should be emphasized more strongly. The panel members discussed the high/low estimates and whether to keep these. The panel members also discussed if this is part of sensitivity analyses required to meet Actuarial Standards of Practice. Paul Spitalnic noted that the high/low does get a fair amount of attention. It will be important to consider wording around de-emphasizing or eliminating and to note if there is something else that would have more value.

Melinda Buntin summarized the approaches including the illustrative alternative, the high/low, and the sensitivity analyses and noted that having all of these may be less informative than having fewer. A second issue is that the labels high and low make it sound like they are an upper and lower bound when this is not the case because the high and the low are not equally likely. Melinda Buntin suggested that the panel might like to see something more consistent with

sensitivity analyses that might be more informative. Paul Spitalnic noted that there is generally consistency in layout and approach to demonstrating uncertainty between the Medicare report and the social security trustees report.

Paul Spitalnic raised that there is concern around the sustainability of current law and the way that gets addressed is through the illustrative alternative. There is also general forecasting uncertainty. Sensitivity can be designed for different purposes. The high/low indicates that there is a reasonable range around the estimate that is also worth understanding. Panel members raised the issue that it is not clear what the probabilities are around the different endpoints.

Alternative presentation of the information was discussed and the panel members agreed to take the section back to a smaller group for further work.

Public Comments

There were no public comments.

The Technical Review Panel adjourned at 3:50 PM on May 2, 2017 and will resume on May 3, 2017.