2016 TECHNICAL REVIEW PANEL
ON THE MEDICARE TRUSTEES REPORT
Minutes of the Meeting Day May 3, 2017

The Technical Review Panel met on May 3, 2017 at 9:00 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)

Review of Discussion Topics: Offsets, High-Low, and Access

Ellen Meara opened the meeting with a review of topics that the group wanted to revisit. She read the text of several findings and recommendations. First was that the panel finds that the assumption of no explicit offsets to Part A and B spending due to growth in per capita prescriptions in the long range is inconsistent with existing evidence based on short run realization. Next was that the trustees do not currently project utilization of drugs in Parts A and B so they do not project possible offsets if such adjustments are warranted. The corresponding

recommendations are that the panel recommends that the trustees develop a model to project drug utilization over the full projection period in both Parts B and D in order to make a more informed decision regarding whether and how to model drug utilization in long-range projections. And, the panel recommends that the trustees monitor the developing academic literature on offsets and do additional analyses to understand offsets and whether they are changing over time.

The panel members continued with discussion of the applicability of short-run offsets to the long-run because it is not always clear how short-run findings apply in the long-run. The panel members will revise the language of the recommendation to reflect this discussion. The panel members also clarified that the model to project drug utilization was not meant to be incorporated in to the long-term projections, but to allow for more informed decision-making. The recommendations are for preliminary work to inform the extent of offsets.

The next topic of discussion was related to the high and low cost scenarios. The high and low cost scenarios posit a wide range of potential growth rates in the first 25 years, but modest rates of growth after that period. The panel finds that while the plus or minus 2 percent is not an unreasonable range for an initial projection period, it is too large when compounded for 25 years. The assumption that growth will slow dramatically after the first 25 years in all scenarios, and that the different scenarios will not grow in the later years, is not consistent with the intent of a high or low cost alternative. The panelists discussed these statements further including the timing and shape of the projection and how to make the high-low scenarios have greater face validity.

The panel members also discussed that it is difficult for readers to understand that the most important driver of future costs is per capita healthcare cost growth. The panel raised a potential recommendation that the main discussion of uncertainty should be consolidated and illustrated in a way that conveys the most important drivers of growth. The panel members also raised that the trustees should present a range of possible growth rates for per capita health cost growth in the first 25 years in a fan chart format. The presentation could inadvertently convey that the lower and higher costs scenarios are equally likely so the panel members discussed that the text should convey that the high-cost scenario may be more likely, or that the scenarios are not equally likely. Panel members also discussed a potential recommendation noting that it may not be possible to have so much rigor around such a complex topic.

Next the panelists discussed the topic of access. The finding discussed has three parts. First that the payments are changing for Medicare financed services. At the same time, there are similar changes for privately financed services. As providers respond to these changes, the quantity of Medicare financed services will probably change. Recommendations on this topic include to provide some analysis of future payments for Medicare providers including hospitals and physicians (including fee-for service and alternative payments). Second, to provide some similar type of analysis for private prices. Third, to discuss the implications of changing prices for quantity of Medicare financed services. Fourth, to consider analyzing changes in quantity per provider and per beneficiary of Medicare financed services and incorporating them into the report. The panelists discussed these recommendations further and clarified that the first recommendation is for more robust understanding of private markets relative to Medicare. Panel members will be preparing a background document on the access issue for OACT.

Issues Around Presentation of the Trustees Report

Ellen Meara opened the discussion of presentation in the trustees report noting that the key issue for discussion will be representing the financial implications of long run Medicare spending. Mike Thompson summarized the issue as that it is not apparent to the average reader that there is an executive summary of the report because it is not right at the start of the report. He noted that issues to be highlighted in an executive summary include the status of the programs, reference to taxes and income, and sensitivity with respect to healthcare cost growth. Paul Spitalnic noted that findings and recommendations on making the report more consumable might consider being more flexible to allow the trustees to address the issues. He suggested editing the recommendation to make some broad suggestions on how the Trustees Report could present results, and offer full examples in how to do so. Currently there is a summary that combines the key points of both the OASDI and Medicare Trustees Reports, although the summary is only available on the Social Security website. The panel will revise the recommendation based on the discussion.

Representing the Financial Implications of Long-Run Medicare Spending

Kate Bundorf spoke on the finding and recommendation regarding the financial implications of the long-run Medicare spending. The finding is that the Medicare Trustees Report does not adequately convey the economic implications for taxpayers and the economy of projected levels of Medicare-financed spending**.** Providing information from the perspective of the taxpayer is important because it is more personalized and gives some sense of the implications of spending for economic growth.

The recommendation is to provide information in the report on the per capita level of taxation that would be required to finance projected Medicare spending. The panel identified three principles guiding the development of a new measure.

1. The measure should translate future spending into a more relevant price for taxpayers;
2. The measure should be based on total Medicare spending including Parts A, B and D; and
3. The measure should provide an estimate of marginal tax rates in order to convey the degree of economic inefficiency associated with future spending.

The panel recognized two important challenges in making these calculations. First, it requires forecasting income and tax payments over an extended period. Second, the different parts of Medicare are financed using different types of taxes. The panel, however, identified research that has addressed these challenges. For example, a 2011 study by Kate Baicker and Jon Skinner estimated the impact of health care spending on future tax rates. The authors developed a life cycle model of labor supply, saving and longevity improvement to estimate the effects of future spending on Medicaid and Medicare in 2060 on average and marginal tax rates by income group of additional spending on health care (8% of baseline GDP based on an estimate of future health care spending by the CBO).

Paul Spitalnic commented that it is hard to normalize or equate Parts A, B, and D, because Part A is funded by payroll taxes until around 2028, and Parts B and D are funded by general

revenues. A panel member responded that we could use a combined measure equivalent of the income tax or in dollar terms to standardize Parts A, B, and D. Paul Spitalnic thought that putting Part A on an income tax basis might make people uncomfortable, but once could potentially talk about the necessary increase in an average person's taxes paid across different alternative scenarios.

The panel agreed that OACT can convert the payroll taxes and income taxes into dollar terms so that a combined measure can be presented. The panel could consider running through the different long-run Medicare spending scenarios using hypothetical families of different income levels, such as retired families vs. working families.

Recommendations for Future Research

Ellen Meara started the discussion noting that this section is currently a placeholder. Areas of future research are incorporated in the other sections, but perhaps the panel has ideas for other research topics that should be mentioned here or perhaps the panel will want to put all the ideas into one section.

A panel member suggested looking at leading indicators by using a blend of industry research and others, for example, looking the uptake on Next Generation ACOs. Paul Spitalnic commented that all new Medicare payment reform models will go through a formal evaluation process.

Another panel member asked whether any of the presentations from outside experts helped OACT in making more informed decisions. Paul Spitalnic said that OACT regularly reaches out to external organizations, such as CBO and schools of pharmacy and the conversations they have had with those experts are similar to the presentations they have heard here in the panel meetings. A recommendation to continue this type of outreach may be useful.

A panel member suggested examining APMs in the private sector, and looking at the change in the productivity of hospitals and physicians. Other potential research topics include value and population health, physician bonus payments, and end-of-life care.

Technical Review Panel Report Executive Summary

The panel agreed that the executive summary should highlight the changes the panel is suggesting. RTI International will assist the panel in drafting the executive summary.

General Discussion

The panel talked about a potential charge for the next technical review panel to focus on changes in the utilization of care, since by that time (in five year or so) there might have been new innovations and the impacts of payment system reforms may be observable.

Tasks and Timeline to Complete the Technical Review Panel Report

Action items:

- Panelists will revise their sections of the report.
- RTI International harmonize and smooth out the language throughout the report, and include references. Panel members will send an outline of the executive summary and RTI will then draft this section.
- OACT will provide comment on the next draft.
- The panel will schedule a phone call to discuss the various sections.
- RTI International can also help compile the document.
- The panel will approve the minutes from the last meeting via email.

Public Comments

There were no public comments.

The Technical Review Panel adjourned at 1:45 PM on May 3, 2017. This concludes the last in-person panel meeting.