

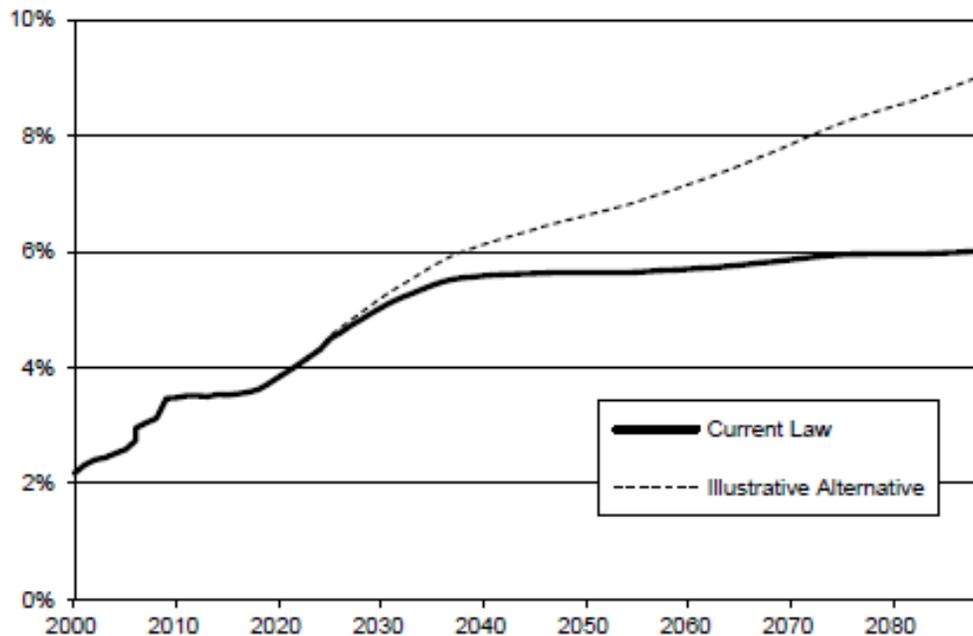
MEDICARE TRUSTEES REPORT TECHNICAL ADVISORY PANEL THE ALTERNATE PROJECTION – POTENTIAL OBSERVATIONS AND RECOMMENDATIONS

Background

The Alternate projection has been used in recent years to offer an alternative view of the future Medicare program outlays in the event of “Current Law” assumptions being unsustainable. Originally developed to reflect the reality that the legislated SGR annual fee cutbacks were often reversed based on a pattern of “Doc Fix” requirements. More recently, the Alternate projection reflects concerns that the long term low increases in basic provider fees based might be unsustainable without creating “long run” access problems.

2015 Illustrative Alternative Projection

Figure I.1.—Medicare Expenditures as a Percentage of the Gross Domestic Product under Current Law and Illustrative Alternative Projections



A key issue for consideration by the Technical Panel is whether the sustainability of the current law projections will be directly related to the “inputs” as reflected by the Medicare Economic Index or the payments when considering other factors (intensity, utilization) that is reflected in the overall provider projections. Payments are a partial attempt to measure “total compensation.”

Percentage Increase in Per Capita Benefits

CY	Inpatient hospital	Skilled nursing facility	Home Health Agency	Hospice	Physician	Outpatient hospital
2005						
2006	2.2	9.7	11.9	19.1	4.4	8.9
2007	1.8	9.7	13.3	13.7	1.8	10.4
2008	3.4	9.9	11.0	9.0	3.7	9.3
2009	1.4	5.5	10.9	7.6	3.5	12.3
2010	-0.4	4.7	1.6	5.4	4.0	7.2
2011	0.6	10.6	-6.3	5.5	3.7	7.7
2012	-2.0	-11.3	-3.6	4.9	1.1	8.0
2013	0.1	0.6	-1.5	0.2	-1.2	6.3
2014	-0.6	0.9	-1.2	-0.7	1.7	13.1
2015	-0.2	3.9	-1.1	4.7	0.6	6.5
2016	0.0	3.5	1.2	4.1	-2.0	3.2
2017	1.8	4.9	2.7	5.6	1.8	7.7
2018	3.0	3.5	3.1	4.3	3.4	7.7
2019	3.0	4.6	5.2	5.3	5.9	7.5
2020	3.6	5.3	5.2	4.8	4.2	8.1
2021	3.5	5.3	5.1	5.0	4.1	7.8
2022	3.5	5.7	5.3	5.2	4.1	7.7
2023	3.3	5.8	5.3	5.1	4.0	7.4
2024	3.0	5.8	5.3	4.9	4.0	7.5
2025	2.4	5.3	4.7	5.2	0.2	6.9
2026	5.7	8.8	8.1	7.6	6.8	10.3
2027	3.2	6.4	5.7	5.3	4.3	7.5

Observation #1

The Medicare Trustees report plays a critical role in educating the public and policymakers on the short and long term financial sustainability of the program. While there is a need to respect the legislated requirements to ensure that the formal projections reflect a best estimate of the “Current Law” projections, it is appropriate to inform on financial implications of the public policy risks associated with those projections if the sustainability of those policy assumptions is questionable. The Alternate projection serves this purpose appropriately and should be continued.

Recommendation #1

The Alternate projection makes an explicit assumption related to the 2025 changes to MACRA which eliminate items like bonus payments to providers as of that date. The Alternate projection explicitly recognize this change and it is reasonable to assume that an immediate

reduction of 5% in total compensation will be visible and may not be sustained particularly when doing so would eliminate the MACRA incentives intended to help manage other costs under the programs. This will be very visible to providers, and, if these provisions have a positive impact on CMS, they may be continued rather than terminated. An assumption that the savings assumed in the Current Law projection in the year 2025 may not be fully realized would be reasonable either based on the likelihood that this reduction would likely be offset by or policy reversals.

Recommendation #2

The Alternate projection from last year assumes higher increase in provider compensation lest serious provider access issues would arise. However, there is still a significant positive slope in Part A and Part B payments in the 2025-2035 period. There is also likely to be some added compensation to providers if the benefits of gains in efficiencies in alternate payment models under current law are passed along to them. Consequently, we recommend that the other adjustment for the Alternate projection (beyond the small adjustment in 2025), commence after 2035 when the Current Law projections become very flat and that the slope continue at a level commensurate with the Current Law projection for the 2025-2035 period.

Observation #2

The discussion of the analysis under the Medicare Trustees Report compares fee schedules under the traditional Medicare program related to fees payable under the Commercial fee for service schedules. Medicare is likely to continue to evolve in the short, medium and long term to encompass more alternative payment arrangements (e.g., bundled payments, etc.) both under traditional Medicare and under Medicare Advantage programs, which put less emphasis on fee for service payments. Similarly, commercial payers are actively moving to non-traditional alternative payment arrangements that are less focused on a pure fee for service model. These payment models will often include incentives for providers to earn additional income based on elimination of waste in other parts of the system. And, private sector plan designs and enrollment continues to drop. Future discussions of sustainability under the Medicare Trustees Report should acknowledge and more directly consider the total compensation of providers from a diversity of sources and their future ability to realize enhanced income from supporting enhanced efficiency and value from other parts of the health system.

Recommendation #3

We recommend that the Office of the Actuary continue to build more multi-dimension model that considers the evolution of the overall health care payment market (Medicare) over time. The model should consider the maturity of different markets as they move toward alternative payment systems and the collective impacts on healthcare costs growth, technology innovation and reduction in waste both from a behavioral standpoint and from a compensation sustainability perspective. The Current Law projections for intermediate and long term (which tend to be more favorable than historical trends) could then be explained in the context of an assumed evolving marketplace that is permissible under Current Law.