

# Shifting of Medicare Services

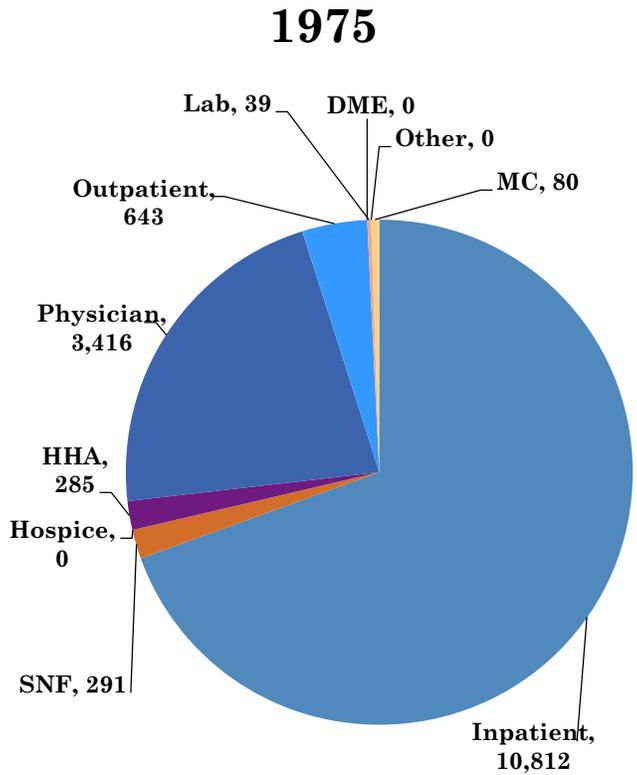
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Technical Review Panel on the Medicare Trustees Reports  
August 31, 2016

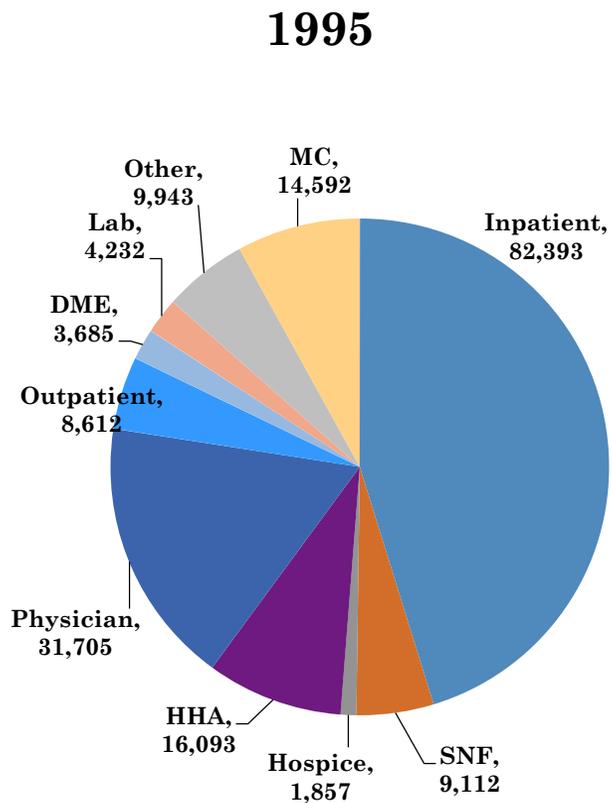
# Issue: How should shifting site of service and substitution of care be reflected in projections?

- Short-range impact is currently captured to the extent it is in current trends.
- Two recent examples:
  - Shift from inpatient to outpatient hospital
  - Growth in prescription drugs

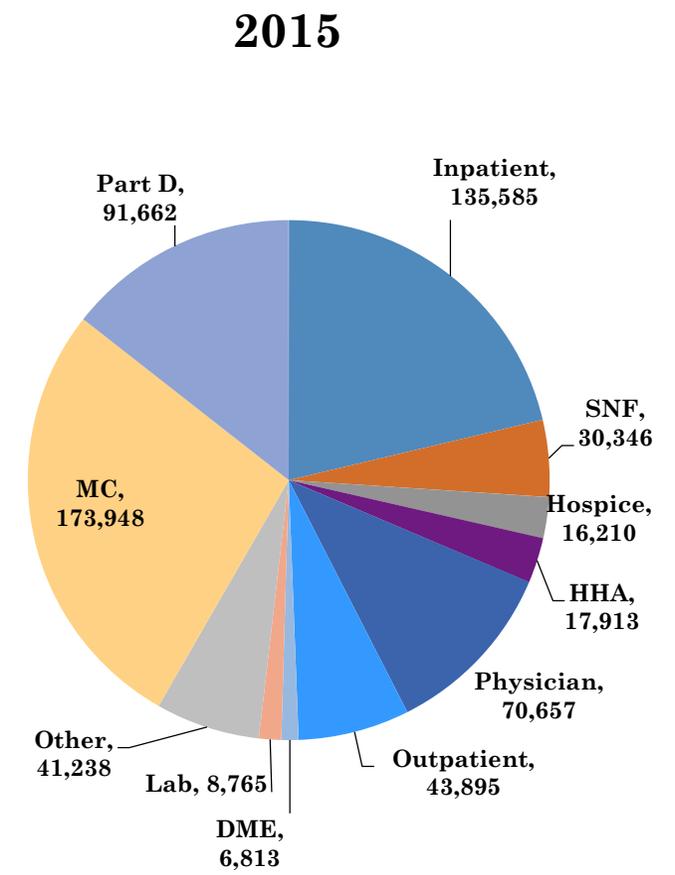
# Medicare Spending by Category



**Total Benefits = \$15.6B  
(0.92% of GDP)**



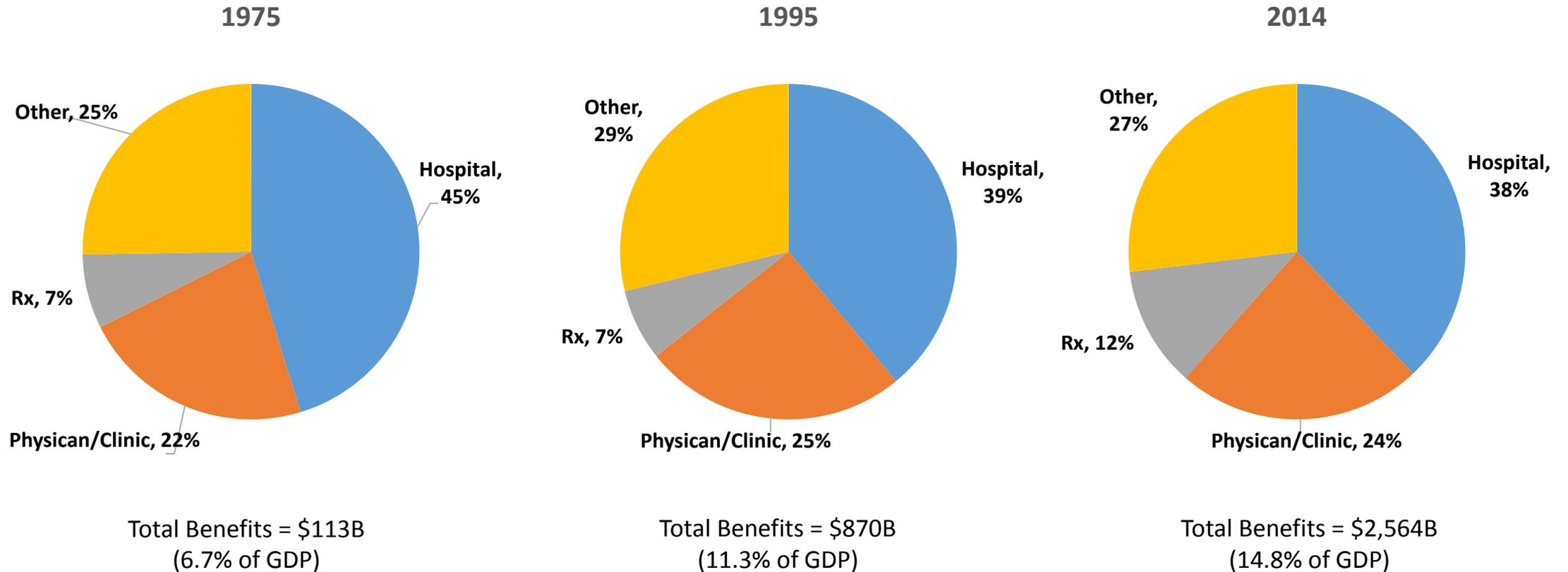
**Total Benefits = \$182.2B  
(2.38% of GDP)**



**Total Benefits = \$638.0B  
(3.55% of GDP)**

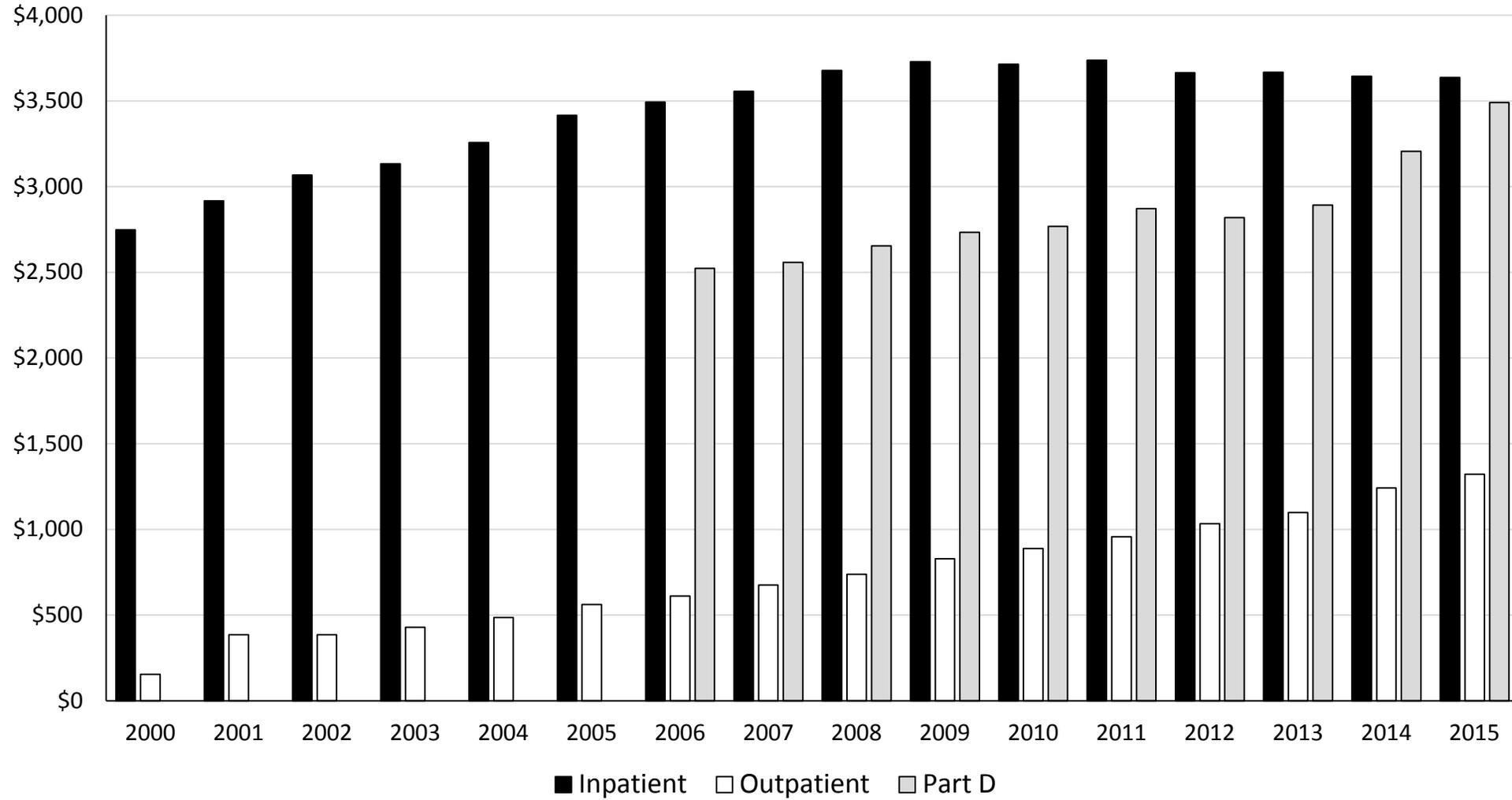
**Note: Totals represent incurred benefits only and do not include admin & other.**

# Personal Health Care (PHC) Spending by Category

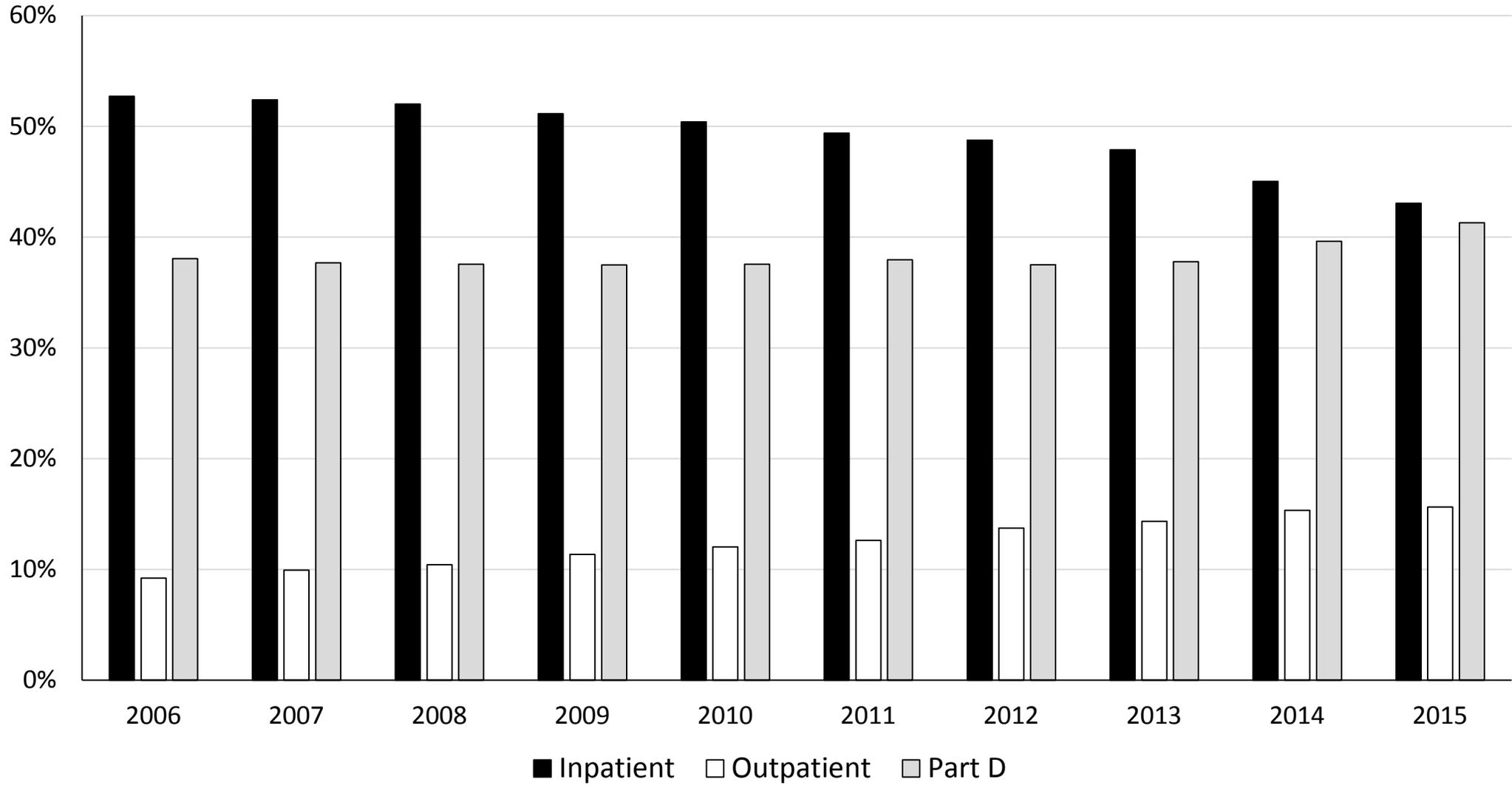


Note: Totals exclude admin, net cost, public health, and investment.

# Medicare Spending Per Capita



# Medicare Share of Per Capita Inpatient+Outpatient+Part D Drugs



# Recent Analysis

## CBO

- In 2012, a meta-analysis of literature suggested that legislative changes in Part D should result in an offset in other health spending.
- For cost estimates, they will assume a 0.2% decrease in A&B FFS spending for every 1% increase in the number of prescriptions.

## OACT

- An internal analysis of the Medicare Current Beneficiary Survey (MCBS) and the Chronic Care Warehouse (CCW) over 2000-2010 found offsets, but smaller than CBO (ranging from 0.05% to 0.12%).
- Question resulted– Is number of prescriptions the right metric to base an offset on? Over what period would an offset be appropriate?

Difficult to know long-range implications

# Hepatitis C

- Part D spending on Hepatitis C drugs
  - 2013     \$265 million
  - 2014     \$4.68 billion
  - 2015     \$8.75 billion
- How to estimate effects on medical spending
  - Don't specifically project # of liver transplants in the short-range
  - Greater effect likely experienced in the mid- to long-range
- No specific medical effect reflected in current projections

# Considerations

- Should site-shifting be projected in the long-range?
- Should prescription drug spending grow at different rates than medical indefinitely?
  - Currently only does under current law; grows the same under illustrative alternative
- How should significant new developments (Rx or other) be reflected in projections when effects more likely to be experienced in mid- to long-range?