



2021 Fall Conference

Pasadena Convention Center - Pasadena, CA

November 30, 2021

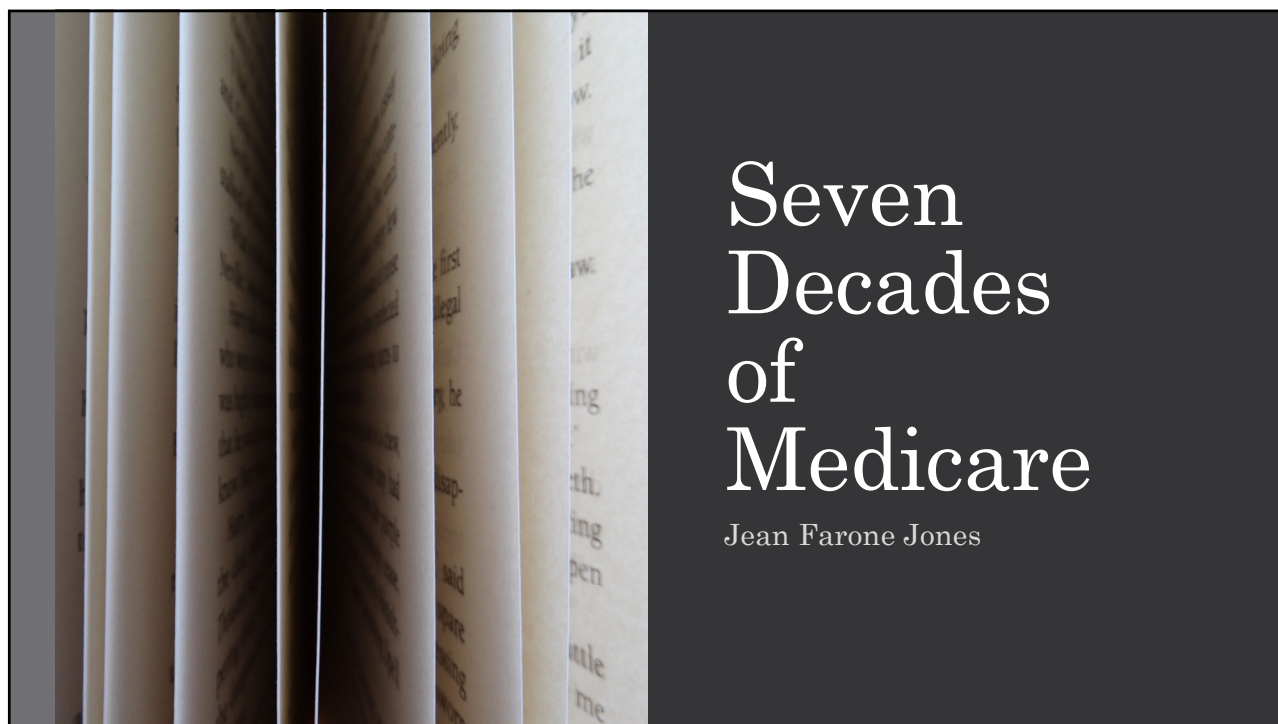
Seven Decades of Medicare

Presented by:

Jean Farone Jones, National Vice President, UnitedHealthcare

A photograph of construction-related items on a dark wooden surface. It includes a blue spiral notebook with an orange cover, a yellow hard hat, and a white marker with a diagram drawn on it.

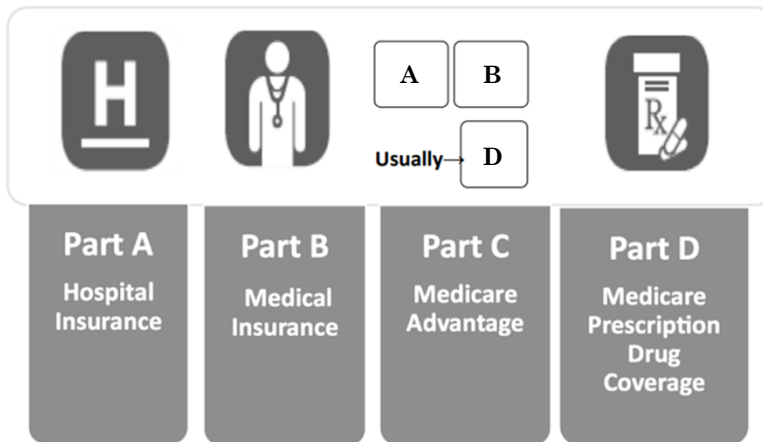
*Building
on Success*



What is Medicare?

Medicare is the federal health insurance program created in 1965 for people ages 65 and over regardless of income, medical history, or health status. The program was expanded in 1972 to cover certain people under age 65 who have a long-term disability.

Four Parts of Medicare



Parts of Medicare

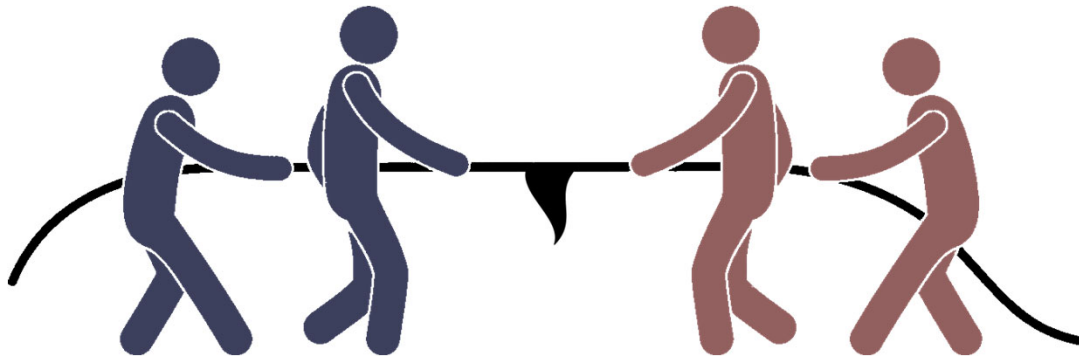
- Part A - Traditional Medicare
- Part B - Traditional Medicare
- Part C - Medicare Advantage (MA)
- Part D - Prescription Drug coverage
- Supplemental Medicare – also known as MediGap

Introduction

We will observe the history of Medicare from its conception throughout its lifetime to learn the reasons behind its form and to understand the role it plays today.



Forces Shaping Medicare



Support for
Single-Payer
System

Desire for
Universal
Healthcare

Preference
for Less
Federal
Intervention

Belief in
Market
Diversity

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Leading up to Medicare

1935-1964



1935

1943

1945

1948

1960

1961

1964



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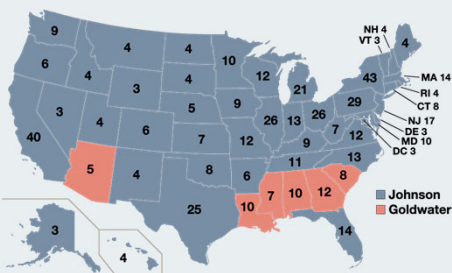
The Birth of Medicare

LBJ's presidential win and the Democrats' supermajority in Congress was a sign of immense American support for Medicare.



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1964



Electoral Map

The Birth of Medicare



The 1964 election virtually guaranteed the passage of Medicare thanks to the Democrats' supermajority.



The question remained what form the new healthcare proposal would take since there were a few proposed options.

Marmor, Theodore R. *The Politics of Medicare*. 2nd ed. New York: A. de Gruyter, 2000.

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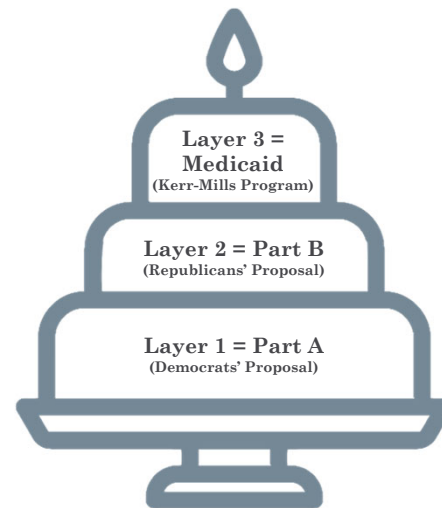
The Birth of Medicare

Three Alternative Plans:

1. Democrats proposed modest legislation similar to that which was proposed under Truman and Kennedy (limited hospitalization and nursing home coverage for social security beneficiaries 65+)
2. Republicans (with AMA) claim Democrats' proposal is not sufficient and instead offers their own alternative including physicians' care. The claim was that this alternative would be more cost-effective for taxpayers because it would be a voluntary program financed by the participants with payments scaled according to their social security benefits.
3. Kerr-Mills Bill

Become One:

- Weeks of intense arguments in Congress over which plan should be chosen
- Ways and Means Committee members eventually seek a compromise/ combination of all three options
- Combination was termed, "three-layer cake"



A "Three-Layer Cake"

Marmor, Theodore R. *The Politics of Medicare*. 2nd ed. New York: A. de Gruyter, 2000.

The Birth of Medicare

Medicare and Medicaid were enacted as Title XVIII and Title XIX of the Social Security Act in 1965.

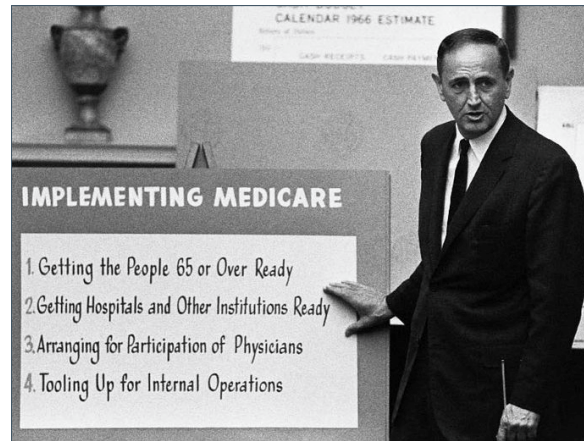
Former President Harry Truman and former First Lady Bess Truman become the first two recipients of Medicare.



First Steps

Medicare's first steps were anything but easy.

Implementing this program required widespread enrollment, desegregation of hospitals, and payment logistics.



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Getting the Word Out

Medicare Enrollment

Operation Medicare Alert was created to notify the 19 million Americans who would be eligible to enroll in Medicare.



Ads were published to inform readers that Medicare was added to Social Security Benefits.



Medicare staffers went door to door to inform individuals of Medicare benefits and the opportunity to enroll in Part B.



National Park Rangers were dispatched to make sure that even individuals living in the remotest places were informed.

Kliff, Sarah. "When Medicare Launched, Nobody Had Any Clue Whether It Would Work." *The Washington Post*, WP Company, 28 Apr. 2019.
Marmor, Theodore R. *The Politics of Medicare*. 2nd ed. New York: A. de Gruyter, 2000.

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93%

93% or 17.7 million of the 19 million eligible citizens had enrolled in Medicare Part B

One in five Medicare-eligible individuals utilized Medicare at a hospital



1 in 5



Successful Enrollment

Utilization one year after start date of July 1, 1966

12 million

12 million eligible individuals had used Part B services

Marmor, Theodore R. *The Politics of Medicare*. 2nd ed. New York: A. de Gruyter, 2000.

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Medicare and Civil Rights

- Medicare required medical institutions to prove that services were provided in accordance with the Civil Rights Act of 1964.
- Civil rights activists saw Medicare as a powerful instrument for change.
- The first year of operation brought a mixture of problems and fulfillment.



Segregation Mars Start Of Medicare

Johnson's 11th-Hour Plea Fails; Holdout Hospitals in South

By Eve Edstrom
Washington Post Staff Writer

President Johnson made an 11th-hour appeal yesterday for hospitals to end discrimination, but he failed to prevent Medicare's start from being marred by segregation. Medicare's hospital insurance program for 19 million aged Americans began today with three-fourths of Mississippi's hospitals denying benefits to the aged.

Marmor, Theodore R. *The Politics of Medicare*. 2nd ed. New York: A. de Gruyter, 2000.

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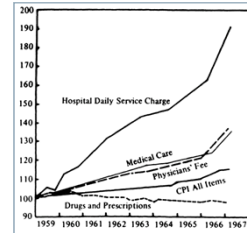
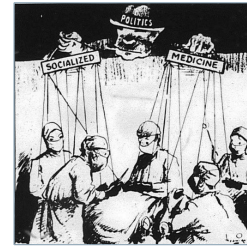
Increasing Medical Costs Medicare Growing Pains

Problem:

- After the enactment of Medicare, America experienced significant increases in physician and hospital fees.
- The rate of increase in physician fees more than doubled
- The average daily hospital fee increased 21.9% in one year with subsequent increases thereafter.

Reasons:

- Congress wanted doctors to treat Medicare patients and feared that doctors/ the AMA would resist if Congress implemented a restrictive fee schedule.
 - Congress only specified that doctors of Medicare patients would charge "usual and customary fee," provided the fee was also "reasonable."
- Hospitals were prompted to reevaluate prices before the implementation of Medicare, which led to dramatic price increases.



Quarterly index of consumer and medical care prices, 1959-67.

Dorothy P. Rice and Barbara S. Cooper (1986). "National Health Expenditures, 1950 -66." Social Security Bulletin (April): 12 (U.S. Department of Health, Education, and Welfare).
 Kilff, Sarah. "When Medicare Launched, Nobody Had Any Clue Whether It Would Work." The Washington Post, WP Company, 28 Apr. 2019
 Marmor, Theodore R. *The Politics of Medicare*. 2nd ed. New York: A. de Gruyter, 2000.

Medicare throughout the Ages

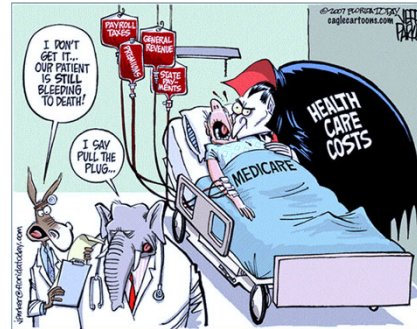
1970s – 2020s

FUN FACT:

Things cost more today than in 1966

	Part A Deductible	Part B Premium
1966	\$40	\$3
2021	\$1,484	\$148.50

- 3,610% increase in the Part A deductible
- 4,850% increase in the Part B premium
- Compared to inflation of 746.64%



What to do?

Health care is more expensive, but there are also more services available.

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Stayin' Alive in the Age of Stagflation

Medicare in the 1970s

Coverage Expansion

- 1972: Social Security amendments expanded Medicare coverage to include individuals under the age of 65 with long-term disabilities and individuals with end-stage renal disease (ERSD).

Cost Reduction and Market Diversity

- 1972 and 1973: Social security amendments and federal legislation supported utilization of health maintenance organization (HMOs) to reduce health spends through market-based cost control.

From Social Insurance to Health Financing

- 1977: The Health Care Financing Administration (HCFA) – later renamed CMS – was created to administer Medicare and Medicaid. This move from the Social Security Administration to HCFA marked a change in how Medicare is viewed.



Marmor, Theodore R. *The Politics of Medicare*. 2nd ed. New York: A. de Gruyter, 2000.

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Medicare in the 1980s

Coverage Expansion

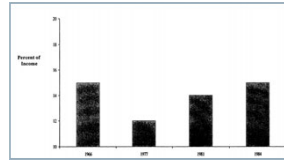
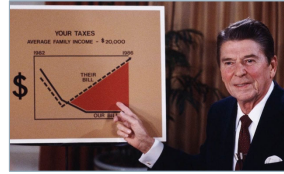
- **1980:** Omnibus Reconciliation Act expands home health services
- **1982:** Medicare coverage expanded to include hospice services for the terminally ill

More Federal Oversight

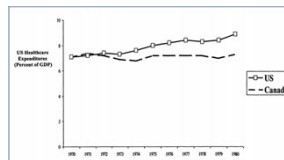
- **1980:** Omnibus Reconciliation Act brings Medigap – or Medicare supplement insurance – under federal oversight
- **1983:** Medicare implements capitation on hospital fees through a prospective payment system based on Diagnostic-Related Groups (DRGs)

Federal Coverage Expansion Quashed by Market Diversity

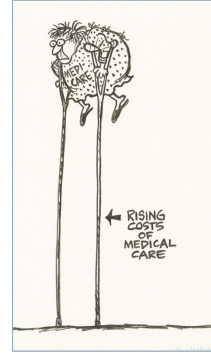
- **1988:** Medicare Catastrophic Coverage Act (MCCA) expands coverage to include a limited prescription drug benefit and an out-of-pocket cap on expenses for Part A and Part B.
 - MCCA does not include the coverage for long-term institutionalization in nursing homes, which is the main concern for many individuals.
 - MCCA was financed by charging the more affluent elderly a large, supplemental premium so as to not affect the deficit.
 - Since the MCCA did not address participants' greatest concerns and was very expensive to a subgroup of people (who already had coverage through their Medigap plans), the MCCA was repealed the following year.



U.S. Elderly Out-of-Pocket Health Expenditures as Percentage of Income



Health Expenditures as a Percentage of GDP

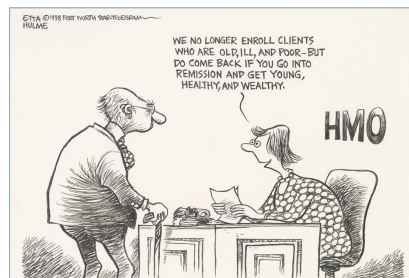


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Medicare in the 1990s

Balanced Budget Act of 1997

- **Cost reduction through market diversity**
 - Created Medicare + Choice (or Medicare Part C) to give Medicare-eligible individuals more coverage options through HMOs on the private market
 - Private insurance companies offered add-on benefits such as prescription drug coverage for new enrollees at a lower cost
- **More Federal Oversight**
 - Tightened the hospital and physician payment systems
- **Problems**
 - Risk selection/ "cream skimming" - Private insurance companies would fight to cover only the healthiest seniors – leaving the rest for the public Medicare program
 - Higher charges to beneficiaries
 - HMOs were variable across the United States. There were rarely increased benefits in rural areas of the country where there were fewer in-network providers.



Freedom of Choice through Privatization

Medicare in the 2000s

Medicare Prescription Drug Improvement and Modernization Act of 2003

Bipartisan Effort to Update and Expand Medicare Benefits

- Created the Medicare Advantage (MA) program to replace the Medicare + Choice program
- Incentivized private insurance to provide service for historically underserved areas and created a regional preferred provider organization (PPO) option
- **Added an optional prescription drug benefit known as Part D, which is provided only by private insurers**

Pros

- Elderly love Medicare Advantage
- Care is provided widely throughout the country
- Government incentives to MA Plans reduce risk selection and make MA more inclusive

Cons

- Reimbursement to MA Plans is about 13% higher than for public Medicare – making the program more expensive as more elderly opt for the MA Plans
- To encourage use of lower cost drugs, Medicare Part D includes the dreaded donut hole – which requires Medicare beneficiaries to pay 100% the cost of their drugs for a portion of the year.



Completely remastered. The new iPod nano

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Change We Can Believe In

Medicare in the 2010s

The Patient Protection and Affordable Care Act

Bipartisan Support for Reduced National Spending, Decreased Costs for Beneficiaries, and Improved Coverage

- Reduced government spend by making payments to Advantage plans equal to original/public Medicare
 - CMS Star-Rating program is created to determine how much Medicare Advantage Plans are reimbursed
- Expanded to include several preventative services at no cost to seniors
- Closed the donut hole: enrollees with standard Part D Plans only pay 25% of the cost of their drugs until they reach the catastrophic coverage limit

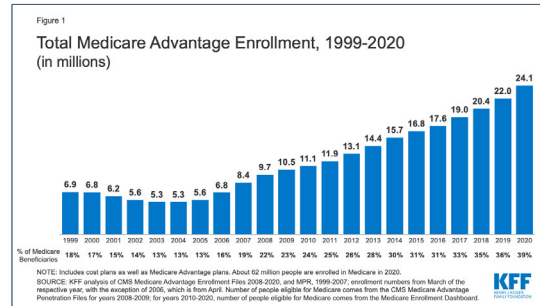


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Medicare in the 2020s

Higher Quality Services thanks to Expansion of Medicare Advantage

- More seniors are opting for Medicare Advantage over original Medicare thanks to the additional benefits (CMS allows Medicare Advantage plans to offer more supplemental benefits than original Medicare)
- In 2020, 39% of Medicare beneficiaries are enrolled in a Medicare Advantage Plan
- More competition among Medicare Advantage providers means higher quality and more comprehensive care
- **Examples of Supplemental Services**
 - Over-the-Counter (OTC) Program
 - Dental Services
 - Vision Services
 - Hearing Services
 - Fitness Program
 - Meal Delivery
 - Transportation Services



What Medicare Means Today

- As the population ages and develops age-related health conditions, there is a greater need for more caregiver engagement and more comprehensive care.
- The aging population is not ready to rest.
- Staying active has many health benefits, but plan sponsors are now looking for ways to take care of their elderly and meet their unique needs.
- There have been great advancements in medicine and supplemental health services in part thanks to Medicare. These advancements help provide senior citizens with the best quality of life.
- Updates in Medicare Advantage have made providing access to these new services easier and more cost effective than ever.
- Thanks to the flexibility of Medicare Advantage plans, JPIA is able to provide its Medicare beneficiaries with the highest quality and most comprehensive care in the nation.

