THE COMMITTEE ON ENERGY AND COMMERCE

MEMORANDUM

June 24, 2013

To: Members, Subcommittee on Health

From: Committee Majority Staff

Re: Hearing entitled "A 21st Century Medicare: Bipartisan Proposals to Redesign the Program's Outdated Benefit Structure"

On Wednesday, June 26, 2013, at 10:00 a.m., in 2322 Rayburn House Office Building, the Subcommittee on Health will hold a hearing entitled "A 21st Century Medicare: Bipartisan Proposals to Redesign the Program's Outdated Benefit Structure." This hearing will review the current Medicare benefit design and examine ways to improve the program. The following provides background on the witnesses and Medicare program.

I. WITNESSES

Katherine Baicker, Ph.D.
Professor, Health Economics
Department of Health Policy and Management
Harvard School of Public Health

Thomas P. Miller, J.D.
Resident Fellow
American Enterprise Institute

Patricia Neuman, ScD., M.S.
Senior Vice President
Henry J. Kaiser Family Foundation

II. THE MEDICARE PROGRAM

The Medicare program is growing quickly and enrollment could reach over 63 million Americans by 2020 and 81 million by 2030.[1] Yet, estimates have shown that the Medicare program could become insolvent in as early as 2027.[2]

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[1] MedPac. "A Data Book: Health care spending and the Medicare program." June 2012. Available online at http://www.medpac.gov/documents/Jun12DataBookEntireReport.pdf

[2] The Board of Trustees, Federal Hospital Insurance & Federal Supplementary Medical Insurance Trust Funds. "2013 Annual Report of the Boards of Trustees of the Federal Hospital Insurance and Federal Supplementary Medical Insurance Trust Funds." Available online at http://downloads.cms.gov/files/TR2013.pdf

The nearly fifty-year old Medicare program design was modeled after Blue Cross Blue Shield (BCBS) plans that were prevalent throughout the nation at that time. Since then, private insurance coverage has transformed dramatically, yet the traditional Medicare benefit has remained largely unchanged--resulting in, what some may view, an array of confusing coinsurance and deductible levels and a "traditional" or Fee-For-Service (FFS) structure that inhibits care coordination, incentivizes overutilization, and results in increased costs.

As the American Academy of Actuaries notes, "[w]hereas private health insurance programs typically have integrated benefit structures that are designed to manage hospital and non-hospital expenses in a coordinated fashion, the Medicare Part A (hospital) and Part B (physician and outpatient) benefits are structured very differently from each other—and the patient cost-sharing provisions are not coordinated between the two. This lack of coordination in the design of Medicare's FFS benefits has important consequences for both beneficiaries and taxpayers."[3]

There is bipartisan recognition that the structure of Medicare's current benefit design can be improved and modernized, which would benefit seniors and ensure the program's sustainability for future generations. In April, the Subcommittee heard from the Medicare Payment Advisory Commission (MedPAC) regarding its recommendations for reforming the benefit design. This hearing will build on the April hearing and provide Members an opportunity to hear from key policy experts on: (1) the traditional Medicare cost-sharing framework's impact on beneficiaries facing catastrophic illness costs; (2) the impact of supplemental coverage with low cost-sharing requirements that could reduce the incentive to seek cost-effective care; and (3) policy proposals that would modernize the traditional Medicare fee-for-service cost-sharing structure and how such policies would impact beneficiaries and overall Medicare costs.

III. STAFF CONTACTS

Should you have any questions regarding this hearing, please contact Monica Popp or Robert Horne at (202) 225-2927.

[3] American Academy of Actuaries Issue Brief. "Revising Medicare's Fee-For-Service Benefit Structure." March 2012. Available online at http://www.actuary.org/files/Medicare_FFS_Design_Issue_Brief_03_07_12_final.pdf