



**Medicare's Future:  
Current Picture, Trends, and Medicare  
Prescription Drug Improvement &  
Modernization Act of 2003**

***Selected Charts***

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The Commonwealth Fund**

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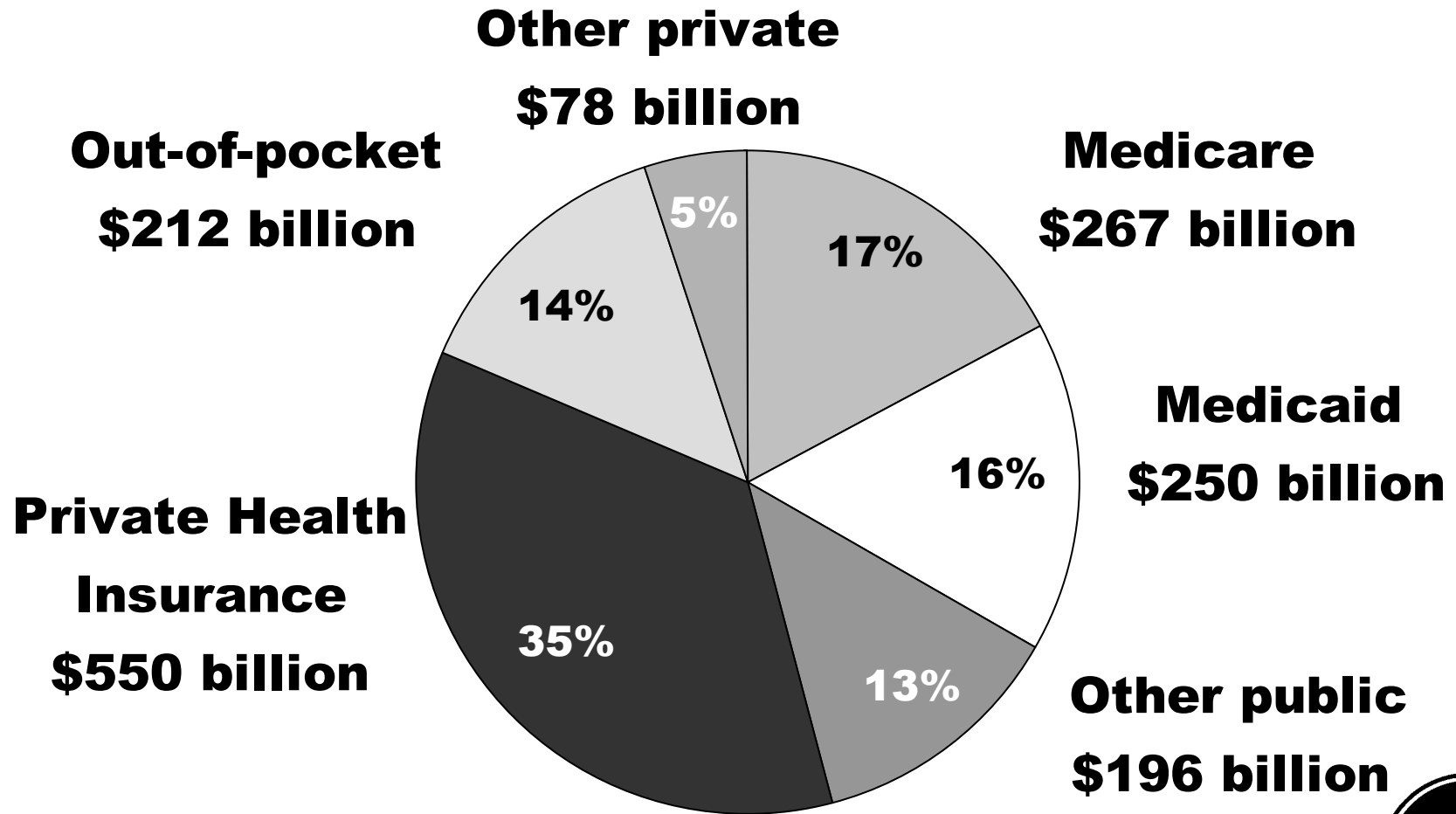


# Trends in Medicare Expenditures



# National Health Expenditures by Source of Funds, 2002

**Total National Health Expenditures = \$1.6 trillion**

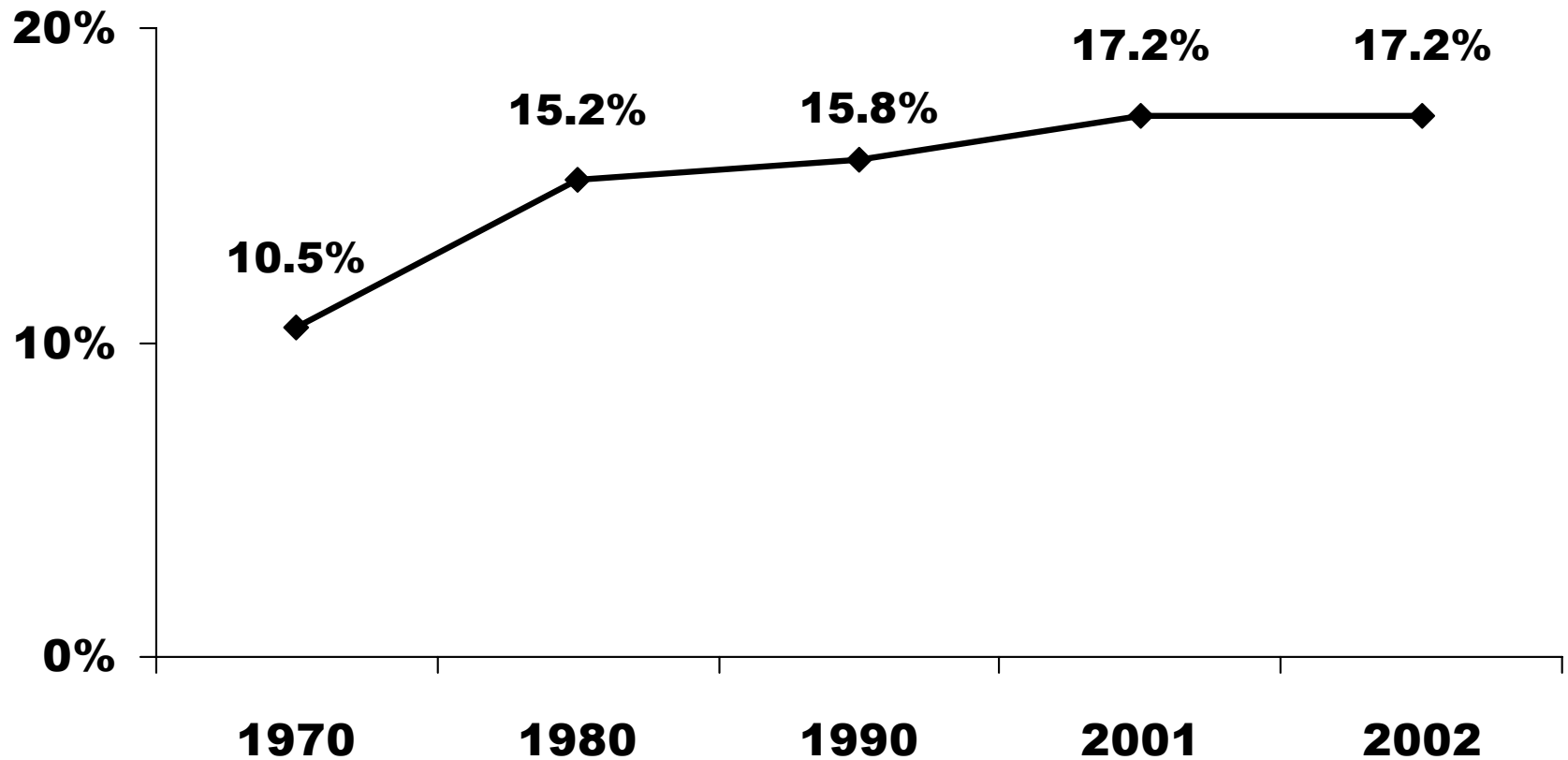


Source: Katharine Levit et al., "Health Spending Rebound Continues in 2002," *Health Affairs* (January/February 2004).



# Medicare Spending as a Percent of Total Health Expenditures, 1970–2001

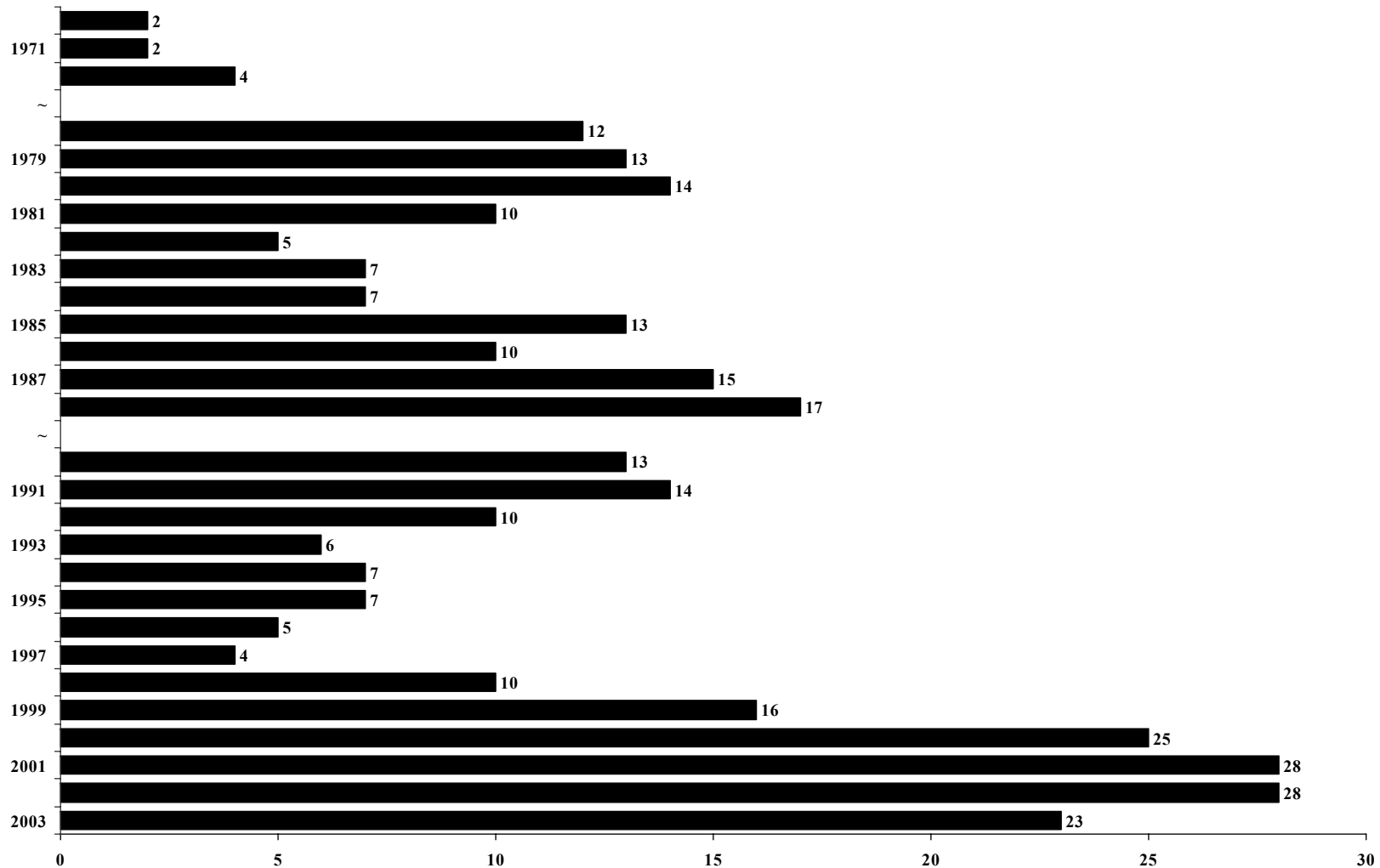
Percent



Source: Katharine Levit et al., “Health Spending Rebound Continues in 2002,” *Health Affairs* (January/February 2004).



# Number of Years Before HI Trust Fund Projected to Be Exhausted



~ Missing Data for Years 1973–1977 and 1989.

Source: Congressional Research Service 1995 and Annual Medicare Trustees Reports.



# Medicare Performance



# **Medicare Beneficiary Experience: Compared to Privately Insured Ages 19–64**

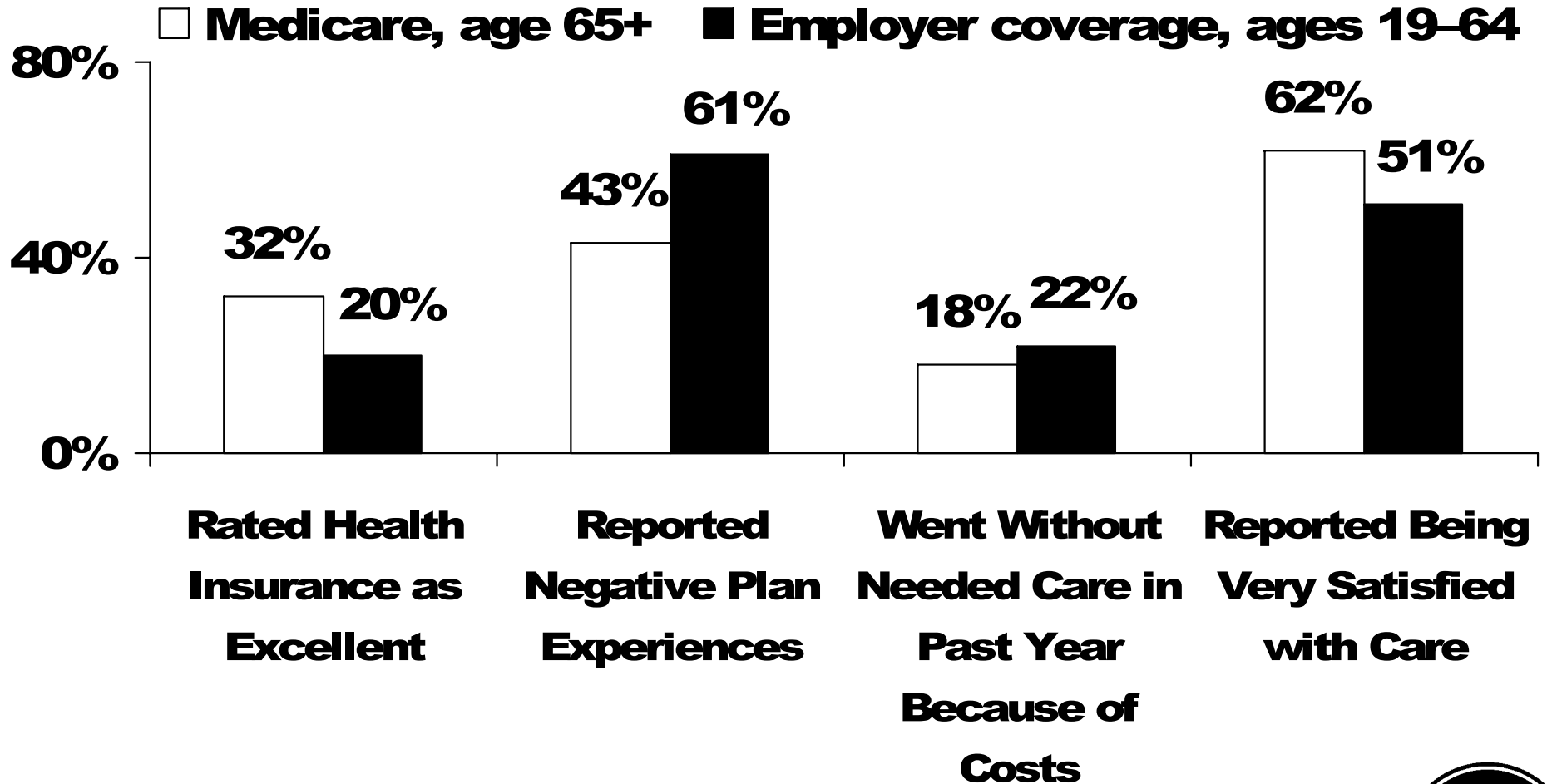
- **Medicare beneficiaries are less likely to report negative insurance experiences, including plan not covering care**
- **Medicare beneficiaries are less likely to report any access problems due to cost, including not getting needed specialist care**
- **Medicare beneficiaries are much more likely to report being very confident in their future ability to get care**
- **Even those most at risk, sick and poor Medicare beneficiaries, are more likely to rate their coverage as excellent**

Source: Karen Davis et al., “Medicare Versus Private Insurance: Rhetoric and Reality.” *Health Affairs* Web Exclusive (October 2002).





# Experiences with Insurance Plan and Satisfaction with Quality of Care, by Insurance Status

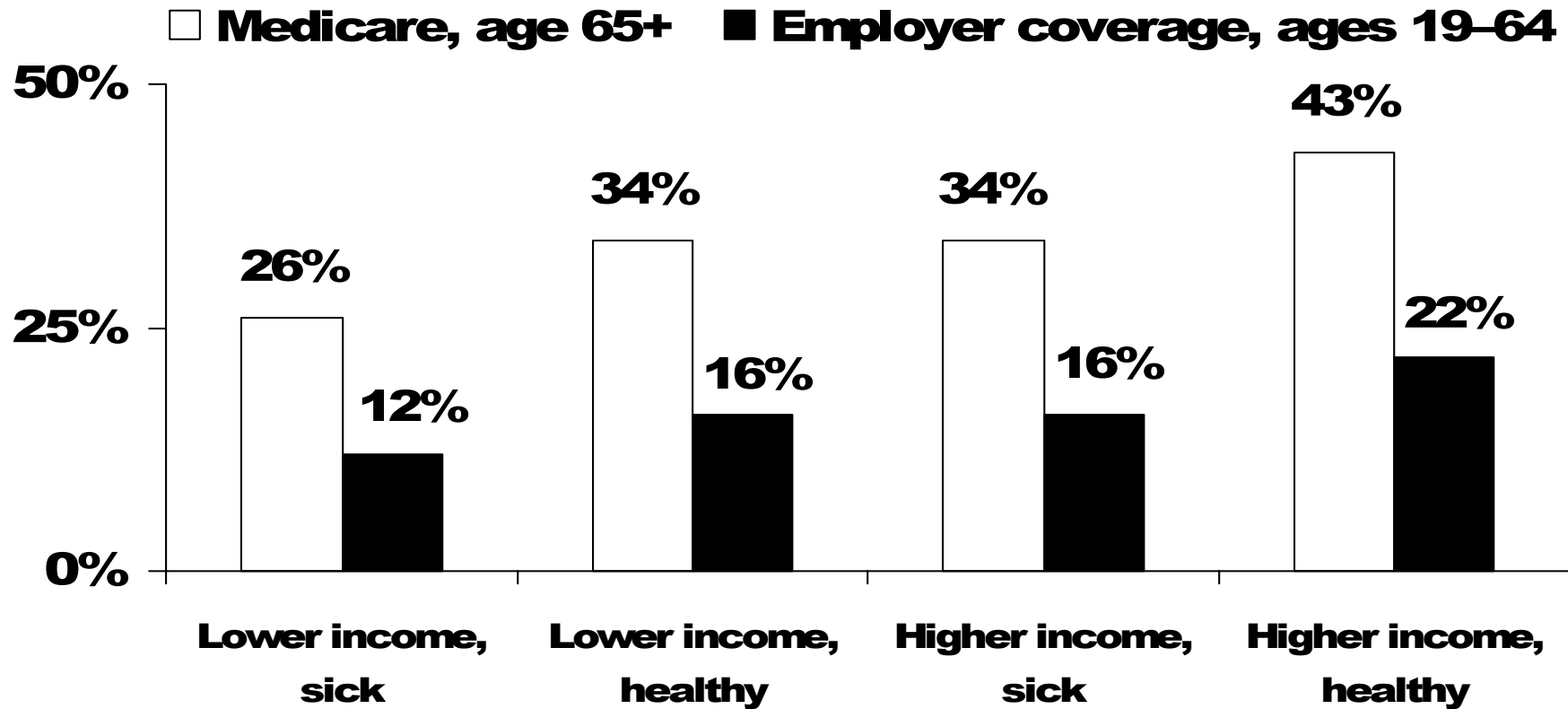


Source: Karen Davis et al., "Medicare Versus Private Insurance: Rhetoric and Reality." *Health Affairs* Web Exclusive (October 2002).



# Predicted Rating of Health Insurance Coverage, by Health, Poverty and Insurance Status, 2001

Percent rating coverage as “excellent”

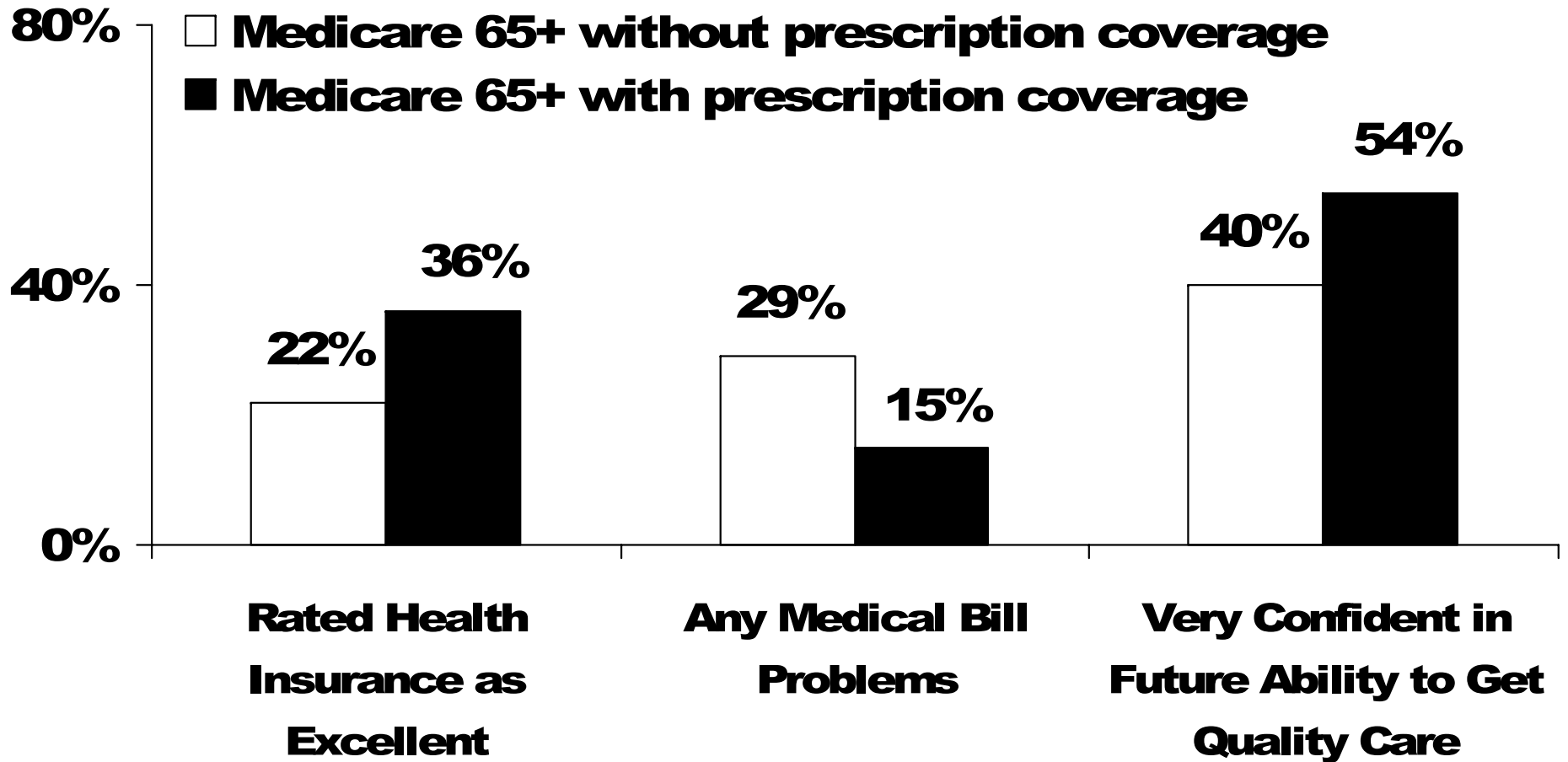


Note: Sick:good/fair/poor health status with average number of chronic conditions for this group. Healthy: excellent/very good health status with average number of chronic conditions for this group. Models control for prescription drugs.

Source: Karen Davis et al., “Medicare Versus Private Insurance: Rhetoric and Reality.” *Health Affairs* Web Exclusive (October 2002).



# Experiences with Insurance Plan and Satisfaction with Quality of Care, by Prescription Drug Coverage

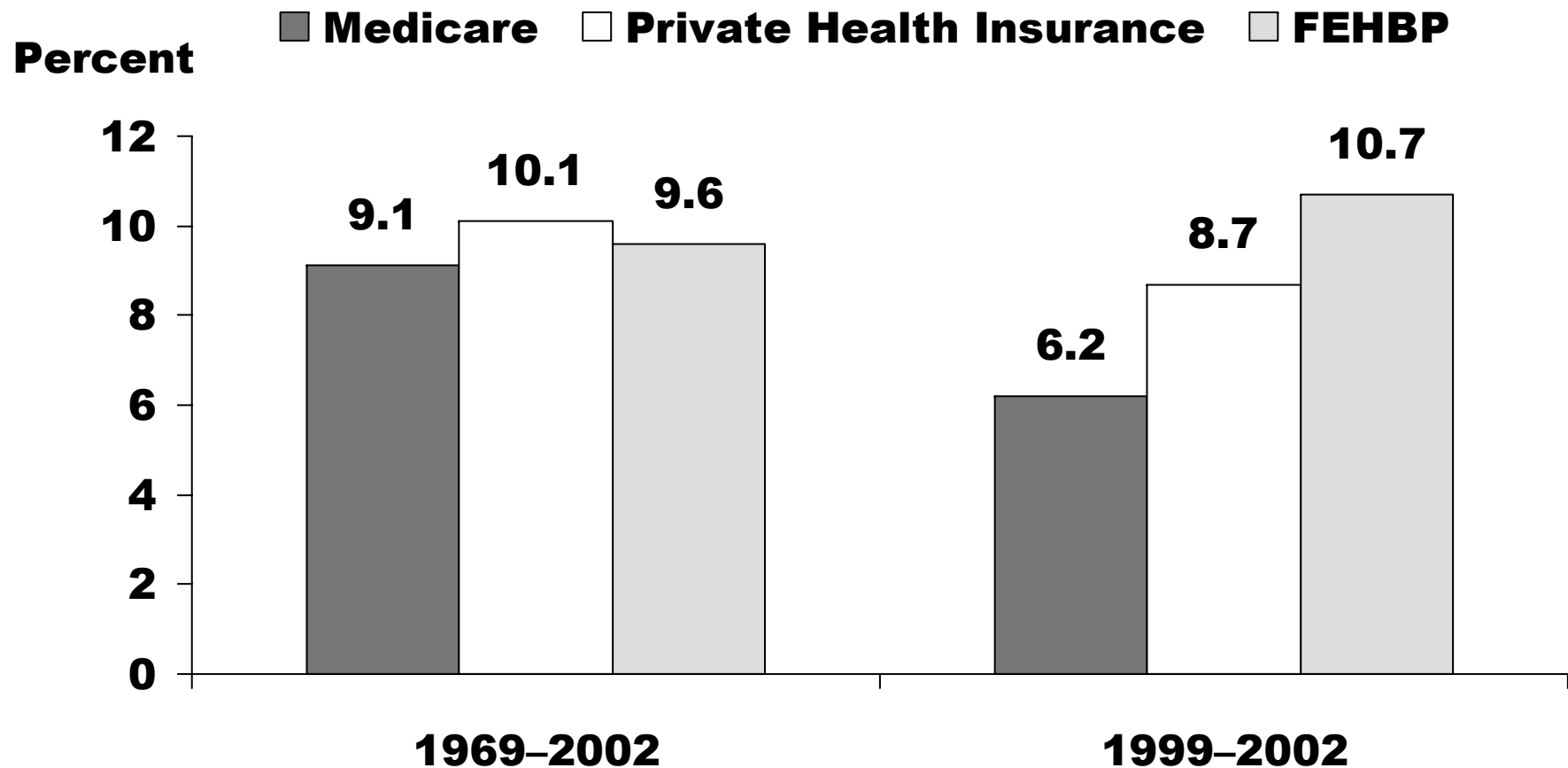


Note: Model adjusted for poverty status, self-reported health status, and chronic conditions.

Source: The Commonwealth Fund 2001 Health Insurance Survey.



# Percent Annual Per Enrollee Growth in Medicare Spending and Private Health Insurance and FEHBP Premiums for Common Benefits



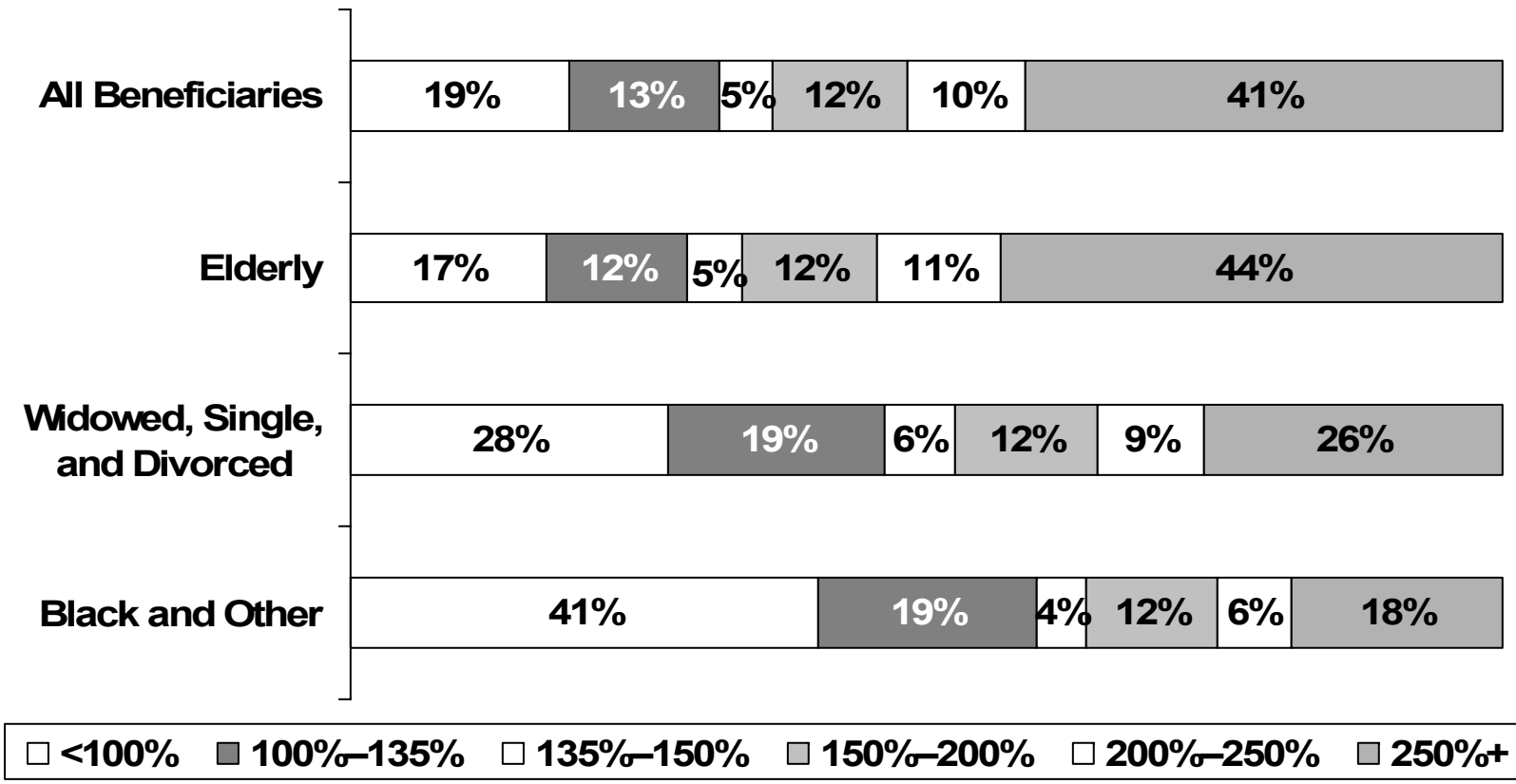
Source: Katharine Levit et al., "Health Spending Rebound Continues In 2002," *Health Affairs* (January/February 2004).



# **Characteristics of Medicare Beneficiaries**



# Income as a Share of Poverty for Various Medicare Beneficiary Groups, Relative to Poverty Level, 1999



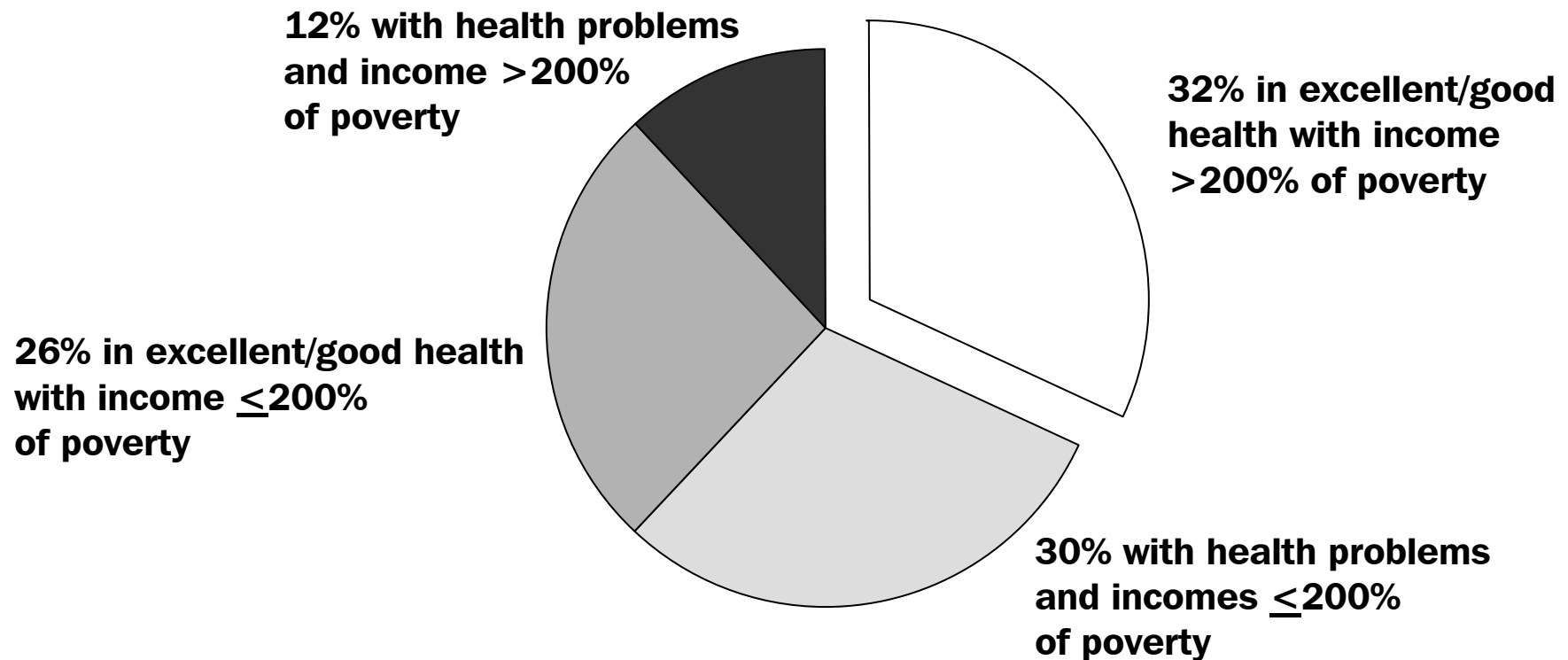
Note: ASPE Definition, Insurance Unit excludes full-year facility beneficiaries.

Source: Marilyn Moon, Urban Institute analysis of 1999 MCBS.



# Profile of Medicare Beneficiaries, by Poverty and Health Status

## Two of Three Have Low Incomes or Health Problems\*



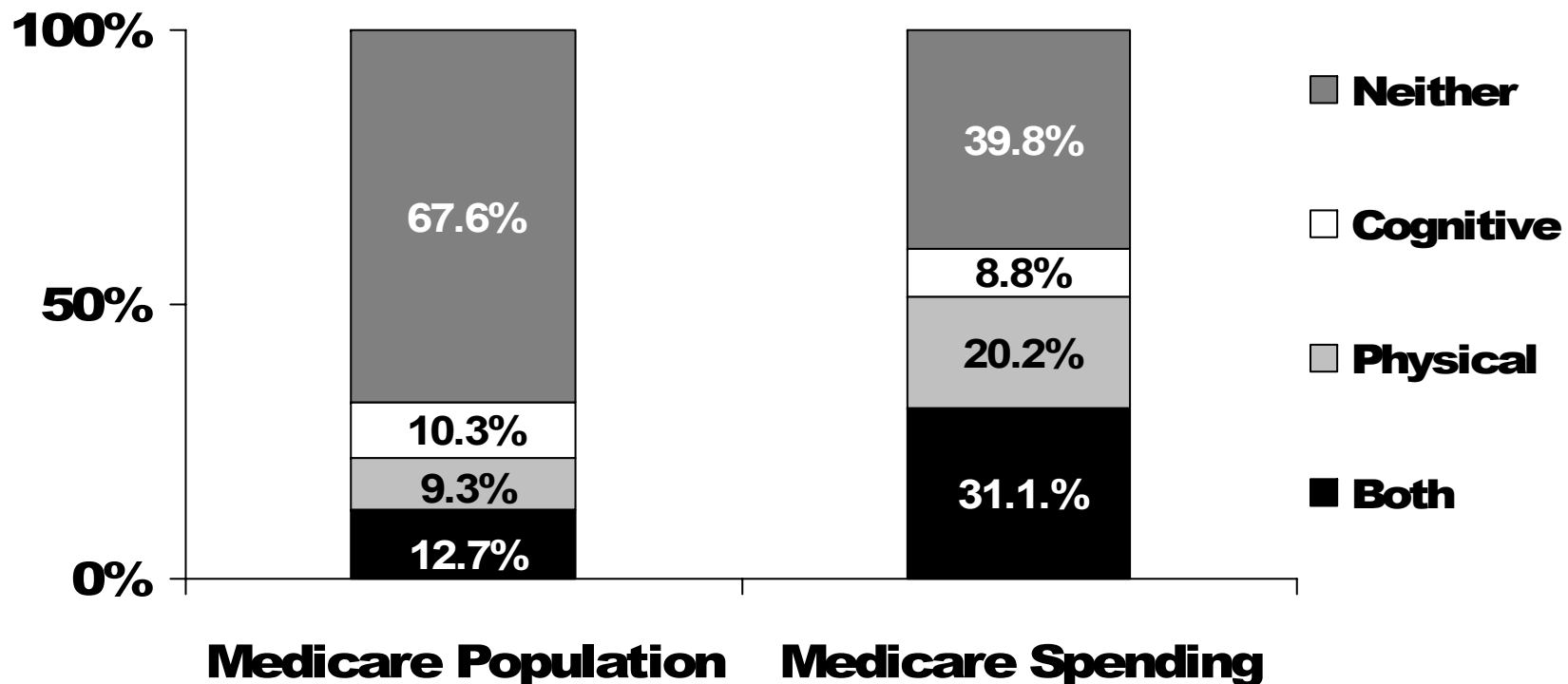
\* In fair or poor health or disabled, under-65.

Source: Cathy Schoen, et al., *Medicare Beneficiaries: A Population At Risk*, The Commonwealth Fund, December 1998. Based on the Kaiser/Commonwealth 1997 Survey of Medicare Beneficiaries.



# Beneficiaries with Disabling Health Conditions <sup>16</sup> as a Percentage of Beneficiary Population and Total Medicare Expenditures, 1997

## Percentage of enrollees



Note: All figures exclude ESRD beneficiaries and the Medicare expenditures also exclude HMO beneficiaries.

Source: Marilyn Moon and Matthew Storeygard, *One-Third at Risk: The Special Circumstances of Medicare Beneficiaries with Health Problems*, The Commonwealth Fund, September 2001.

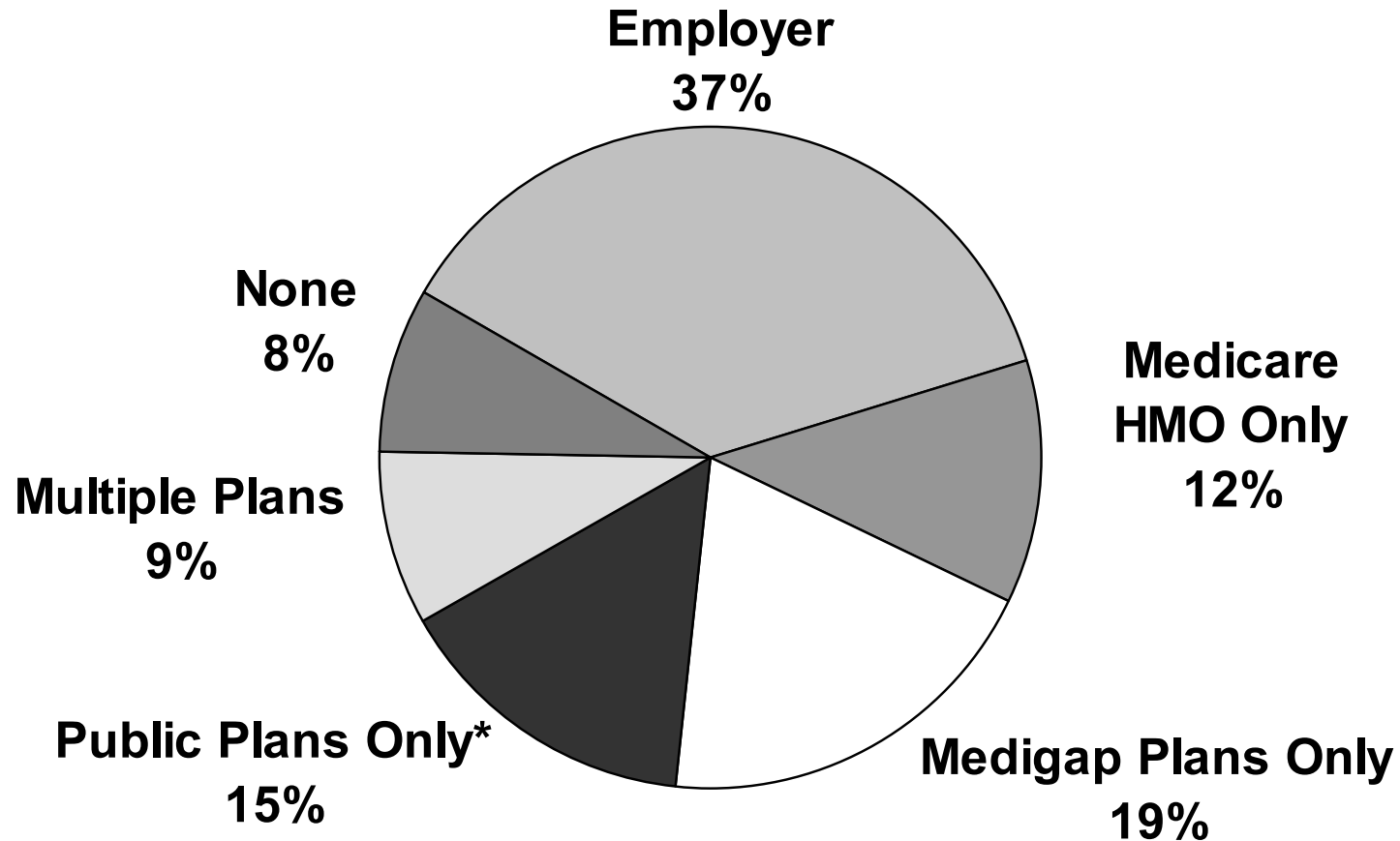




# **Medicare Beneficiary Expenses Not Covered by Medicare**



# Sources of Supplemental Coverage Among Non-Institutionalized Medicare Beneficiaries, 2000

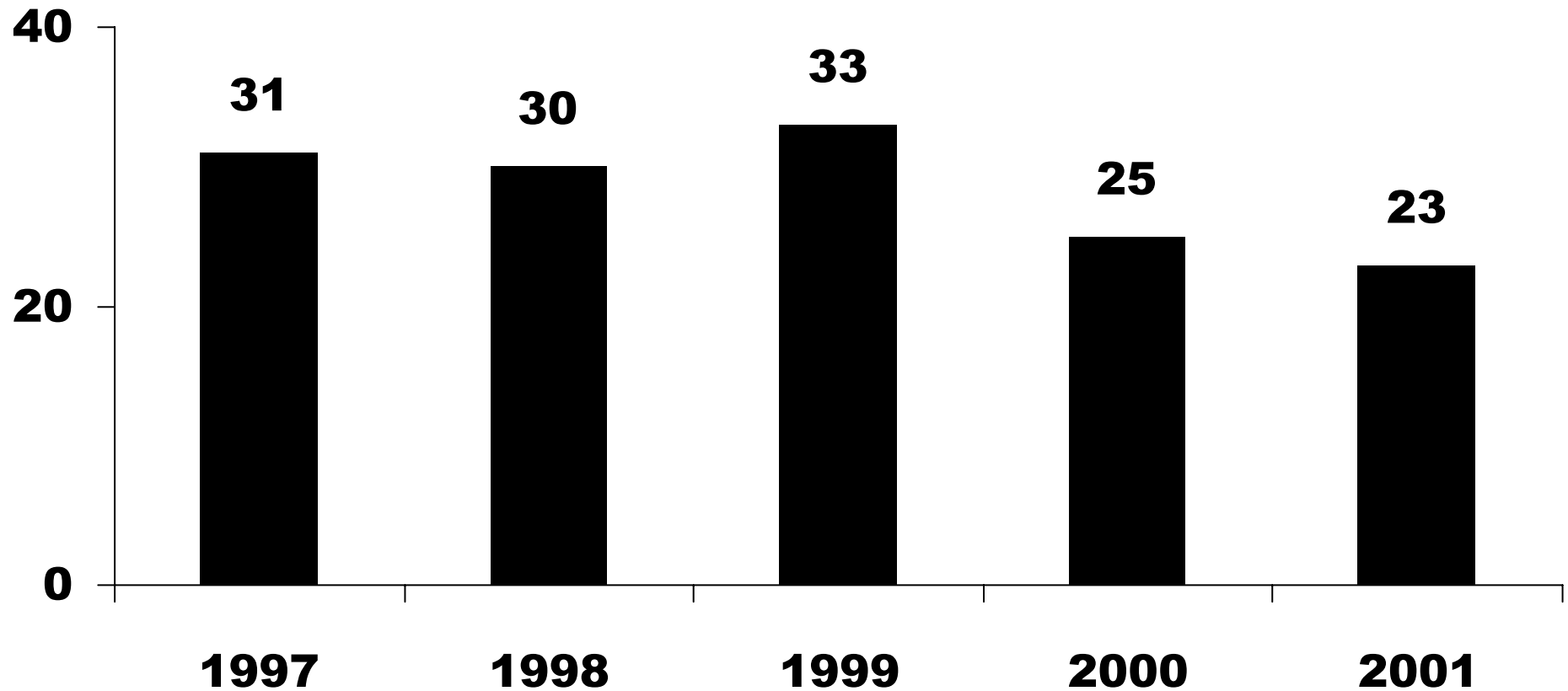


\* Includes Medicaid, Veteran Affairs, and various other programs.

Source: Analysis of 2000 MCBS by Bruce Stuart for The Commonwealth Fund.



# Percentage of All Firms with 200 or More Workers that Offer Retiree Health Benefits to Medicare Age Retirees

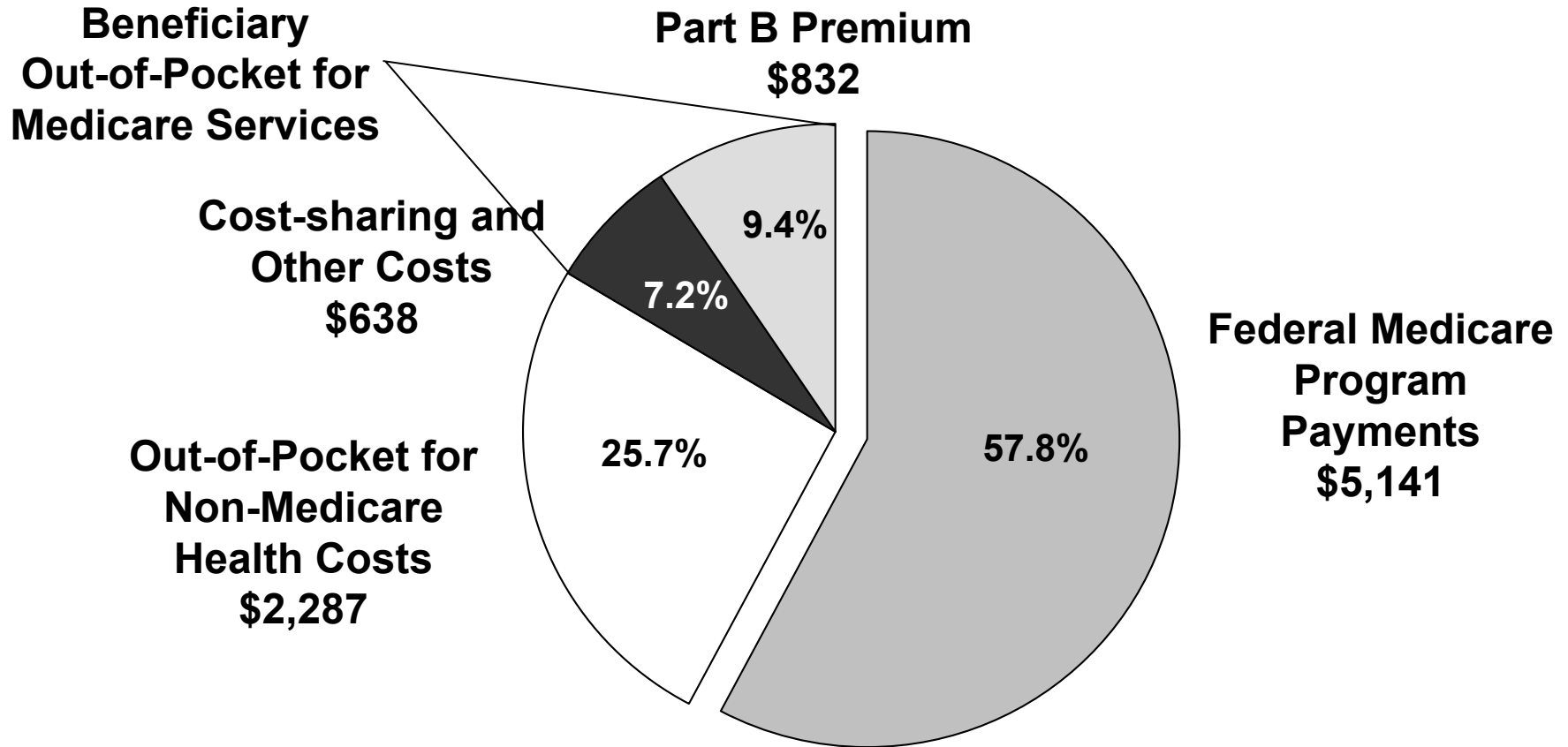


Source: *Erosion of Private Health Insurance Coverage for Retirees: Findings from the 2000 and 2001 Retiree Health and Prescription Drug Coverage Survey.* Kaiser/Commonwealth/HRET, April 2002.



# Average Health Expenditures for Medicare Elderly Beneficiaries, 2002

## Total and Beneficiary Estimated Out-of-Pocket Spending\*

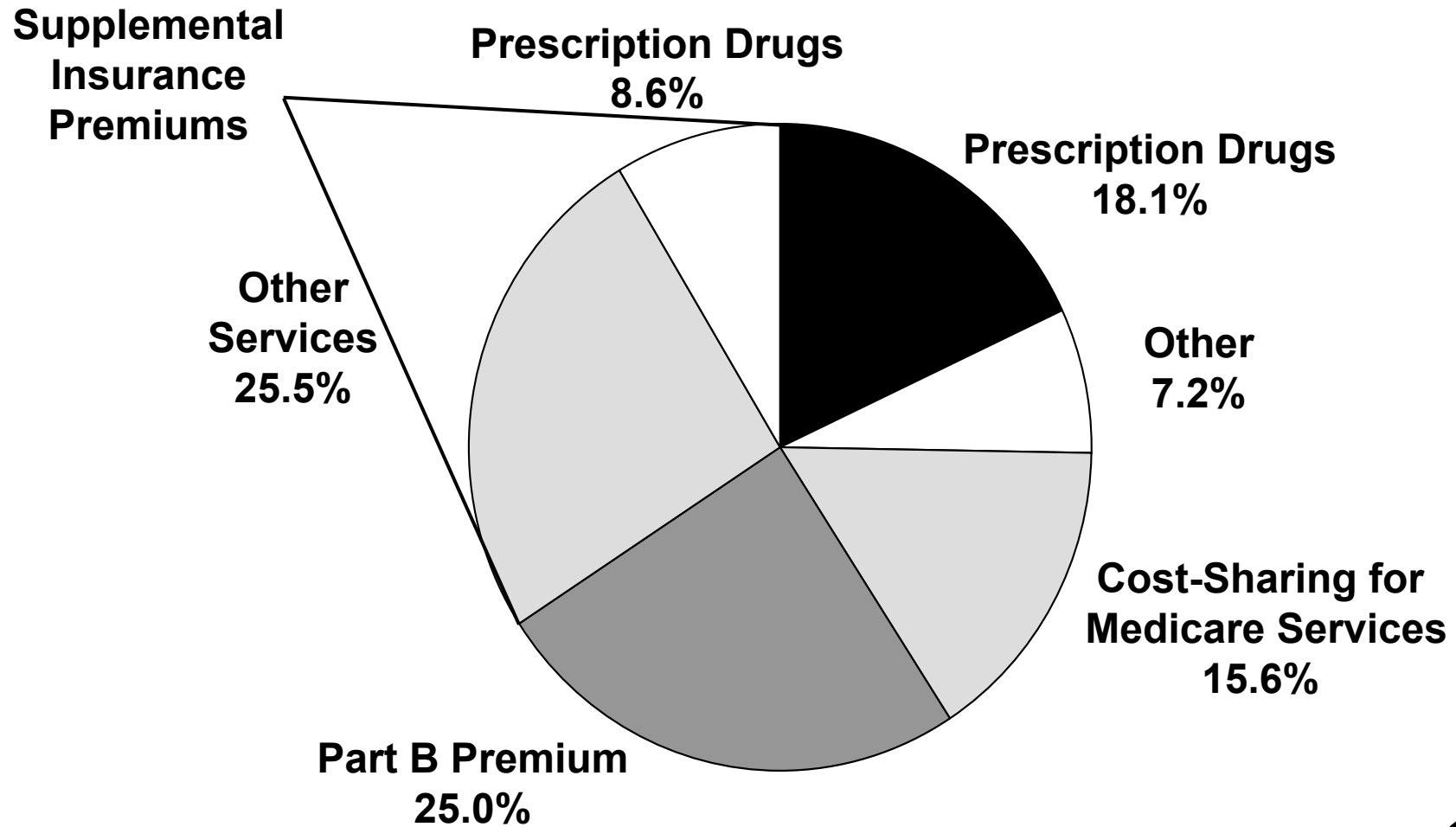


**Average out-of-pocket spending 2002 = \$3,757**

\* Urban Institute 2002 Simulation Model: Out of pocket includes: Part B premium, Medicare cost sharing, other premiums and non-covered services, drugs, vision and dental.  
 Source: Maxwell, Storeygard, Moon, *Modernizing Medicare Cost-Sharing: Policy Options and Impacts on Beneficiary and Program Expenditures*, The Commonwealth Fund, November 2002.



# Distribution of Out-of-Pocket Expenditures Among Elderly Medicare Beneficiaries, 1999

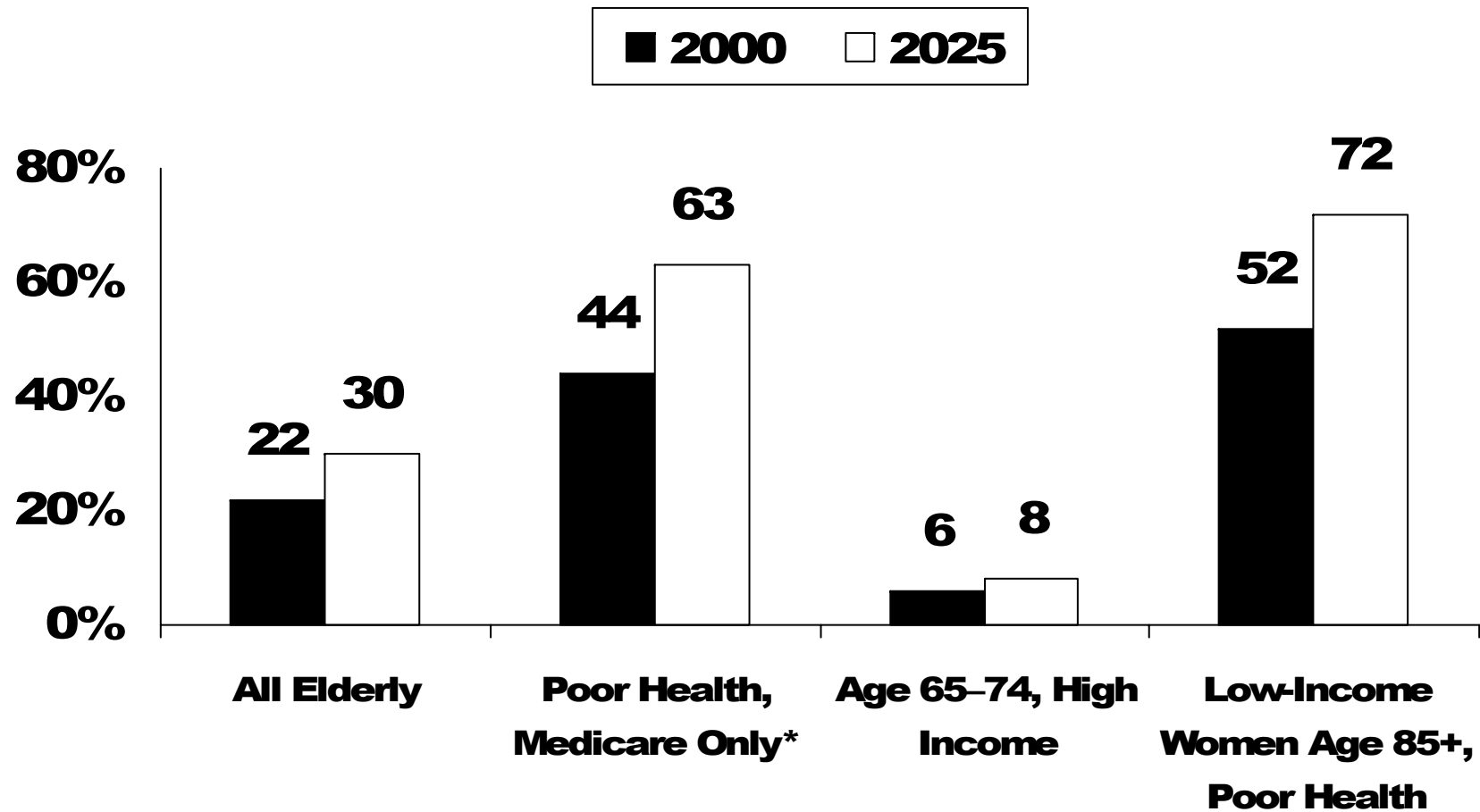


Note: Excludes HMO, ESRD, and Facility beneficiaries.

Source: Marilyn Moon, Urban Institute analysis of 1999 MCBS.



# Projected Out-of-Pocket Health Care Spending as a Share of Income, 2000 and 2025



\* No insurance beyond U.S. Medicare basic benefits.

Source: Stephanie Maxwell et al., *Growth in Medicare and Out-of-Pocket Spending: Impact on Vulnerable Beneficiaries*, The Commonwealth Fund, December 2000.

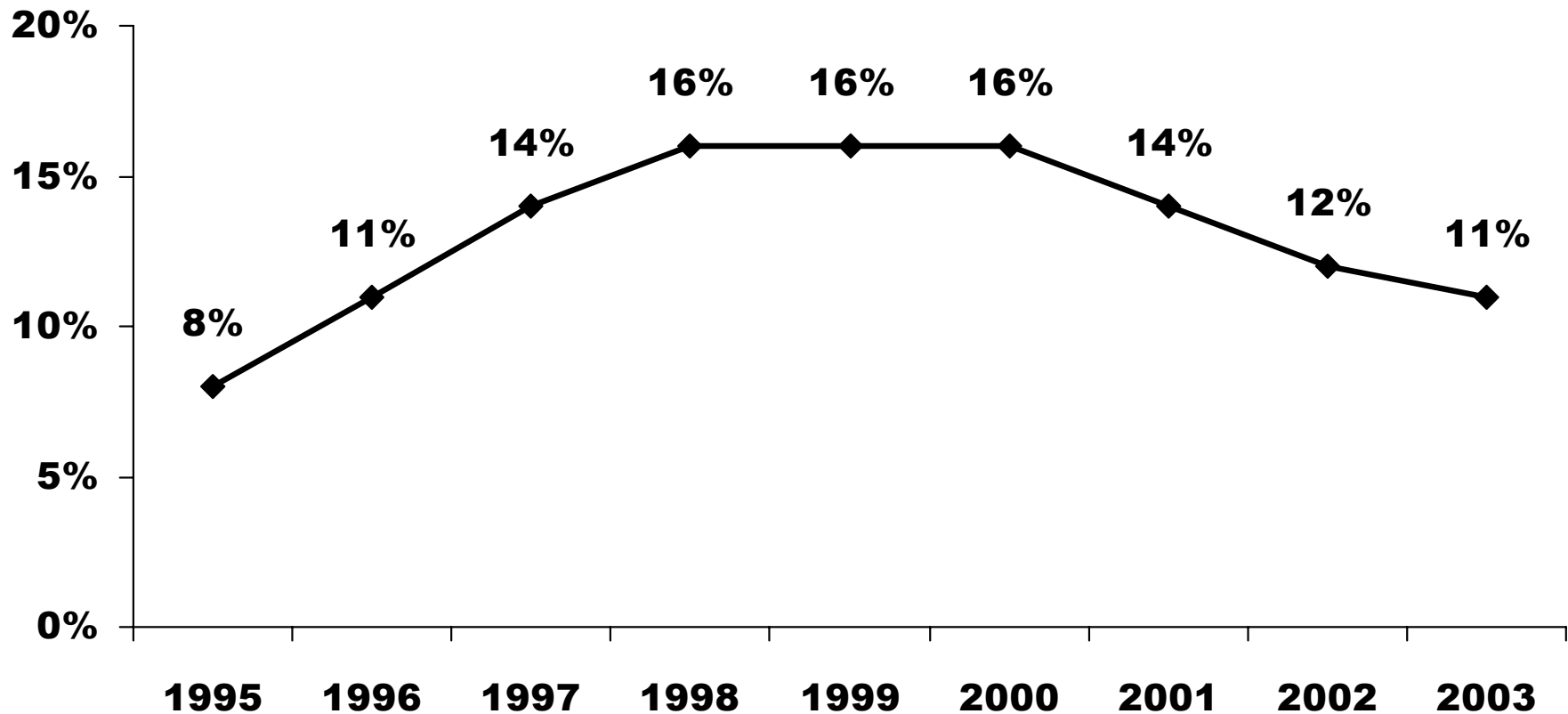


# **Medicare Experience with Private Plans**



# Enrollment in Medicare Managed Care/ Medicare+Choice Plans by Beneficiaries, 1995–2003

## Percent of Medicare beneficiaries enrolled



Sources: Marsha Gold and Lori Achman, *Medicare+Choice 1999–2001: An Analysis of Managed Care Plan Withdrawals and Trends in Benefits and Premiums*, The Commonwealth Fund, February 2002; Centers for Medicare and Medicaid Services (CMS) Medicare Managed Care Contract Report; CMS 2002 Data Compendium, 2003; and CMS Medicare Enrollment: National Trends, 1966–2001, 2002. 2003 data are for May.





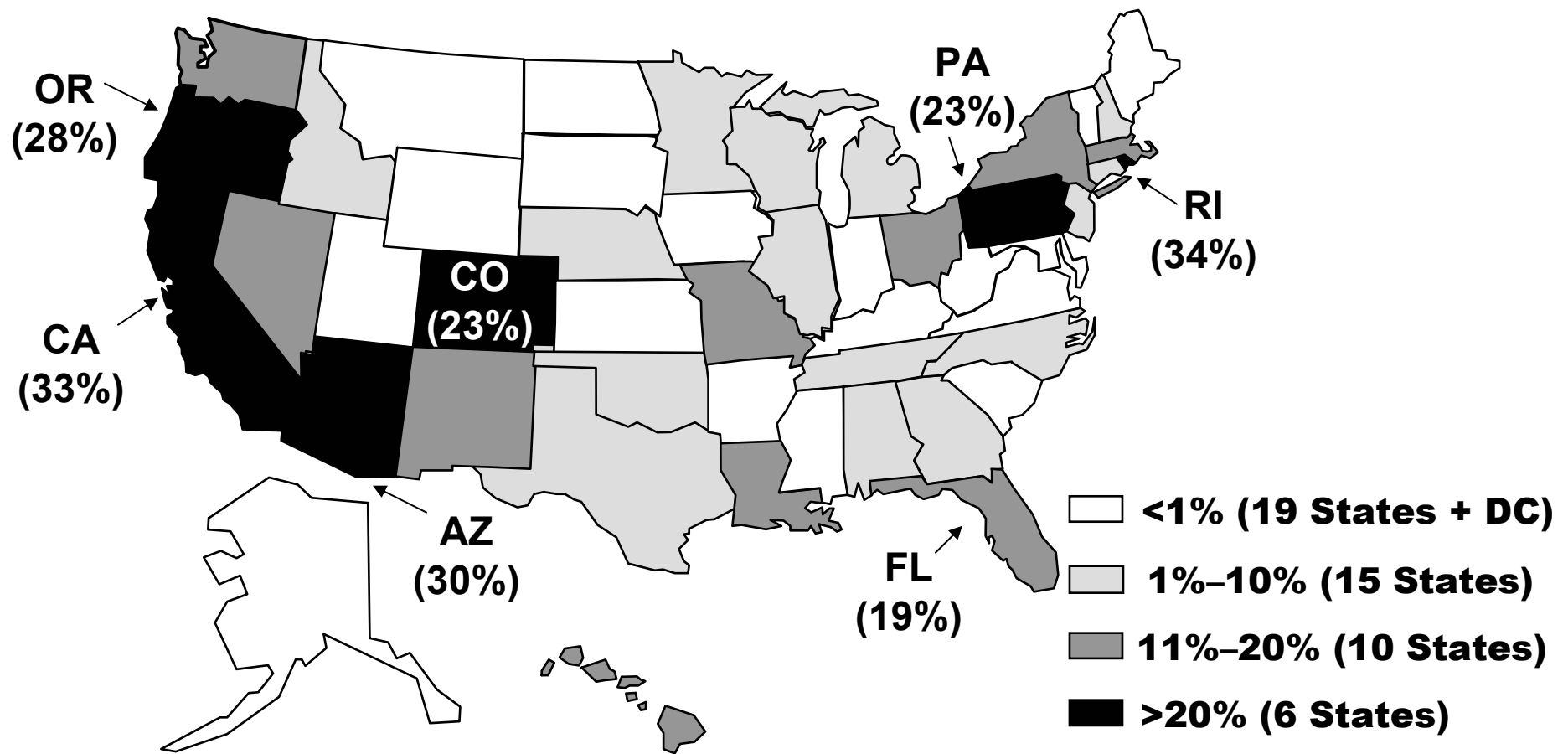
# Medicare+Choice: Lessons

- **Risk and Payment Issues**
  - **Expensive for Medicare program because of favorable risk selection and payment rules**
  - **Incentives to “cream skim” and avoid risk**
- **Overall Failure to Date**
  - **Private plans do not participate in many states and geographic areas**
  - **Wide geographic variability in premiums and benefits**
  - **Unstable participation by private plans and providers**
  - **High out-of-pocket burden on sick**
  - **No standard benefit; impossible to compare plan benefits**

Source: Geraldine Dallek, Brian Biles, and Lauren Nicholas, *Lessons from Medicare+Choice for Medicare Reform*, The Commonwealth Fund, June 2003.



# Medicare+Choice Enrollees as a Percent of Medicare Beneficiaries, by State, 2003

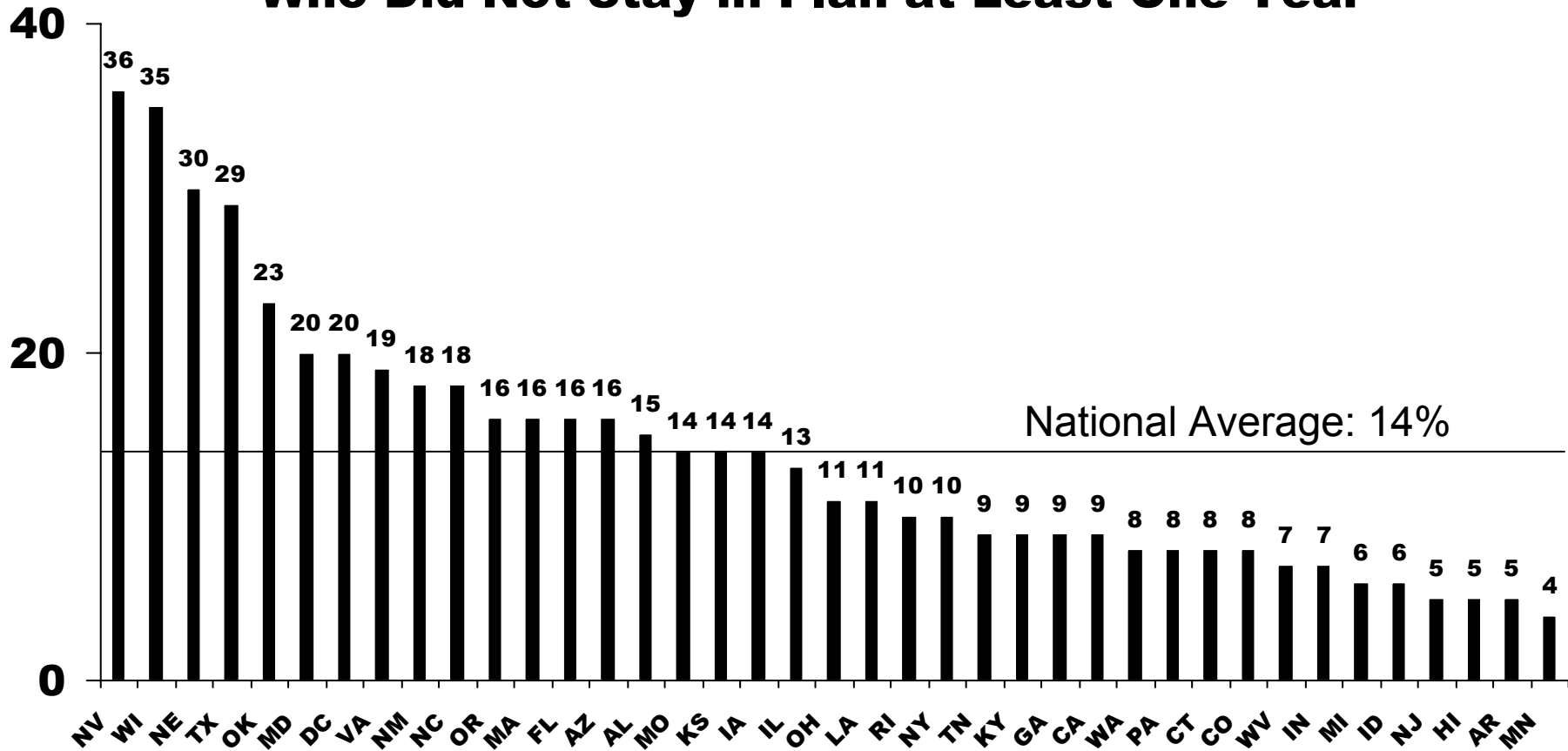


Source: Geraldine Dallek, Brian Biles, and Lauren Nicholas, *Lessons from Medicare+Choice for Medicare Reform*, The Commonwealth Fund, June 2003.  
 From *Medicare+Choice, Fact Sheet*, Kaiser Family Foundation, April 2003.



# Medicare+Choice Primary Care Provider Turnover Rates by State

## Percentage of Primary Care Providers Who Did Not Stay in Plan at Least One Year



Source: Geraldine Dallek and Andrew Dennington, *Physician Withdrawals: A Major Source of Instability in Medicare+Choice*, The Commonwealth Fund, January 2002.



2001 Premium and Selected Benefit Copayments: Tampa Medicare+Choice Plans

	Plan V <sub>1</sub>	Plan V <sub>2</sub>	Plan W	Plan X <sub>1</sub>	Plan X <sub>2</sub>	Plan Y	Plan Z <sub>1</sub>	Plan Z <sub>2</sub>
Enrollment limit	No	No	Yes	No	No	No	No	Yes
Premium	\$63	\$0	\$63	\$179	\$0	\$0	\$0	\$19
Doctor visits: Primary care Specialist	\$10 \$5-\$200	\$15 \$15-\$400	\$10 \$25	\$10 \$15	\$10 \$15	\$15 \$20	\$10 \$15	\$5 \$10
Outpatient visits: Ambulatory surgery Hospital visit	\$200 \$200	\$500 \$500	\$0 \$50	\$35 \$35	\$50 \$50	\$100 \$50	\$25 \$25	\$25 \$25
Durable medical equipment	\$0	\$0	\$0	\$0	\$0	20%	\$0	\$0
Diagnostic tests: Clinical lab X-rays/diagnostic lab	\$0 \$40-\$200	\$0 \$40-\$350	\$0 \$0	\$0 \$0	\$0 \$0	\$5 \$5 X-ray; \$50 other radiation services	\$0 \$0	\$0 \$0
Radiation therapy	\$40/visit	\$40/visit	\$0	\$0	\$0	\$5-\$50	\$15/service	\$10/service
Outpatient rehabilitation services	\$40/visit	\$40/visit	\$25/visit	\$10-\$15/visit	\$10-\$15/visit	\$25/visit	\$15/visit	\$10/visit
Inpatient hospital care	\$500 per adm.; \$200/day for days 7-30 at network hospital	\$500 per adm.; \$200/day for days 7-30 at network hospital	\$150/day	\$100/stay	\$300/stay	\$150/day	\$200/stay	\$0
Skilled nursing facility: Days 1-20 Days 21-100	\$0/day \$85/day	\$0/day \$90/day	\$0 \$97	\$0 \$0	\$0	\$75 \$75	\$0 \$0	\$0 \$0
Home health care	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Bone mass measurement	\$10/physician's office, \$40 non-physician clinic	\$15/physician's office, \$40/non-physician clinic	\$0	\$0	\$0	\$0	\$0	\$0
Prescription drugs Formulary drugs 30-31-day supply Generic copay Brand copay 90-day mail order Generic copay Brand copay Cap Generic Brand Non-formulary 30-31-day supply Generic copay Brand copay 90-day mail order Generic copay Brand copay Cap	\$10 \$20 preferred \$20 \$40 preferred \$150/3 months generic and preferred & non-preferred brand \$10 \$40 \$10 \$80 See above	No prescription drug coverage	\$5 \$20 \$15 \$60 Unlimited \$250/6 month formulary & non-formulary brand \$35 \$35 \$105 \$105 See above	\$5 \$15 \$15 \$45 Unlimited \$50/month formulary & non-formulary brand \$30 \$30 \$90 \$90 See above	\$10 Not covered \$30 Not covered Unlimited Not covered Not covered	\$8 \$40 \$24 \$120 \$500/year Plan has no formulary	(31-day) \$7 \$20 Not available Unlimited \$125/3 months non-formulary generic & all brand \$30 \$30 Not available See above	(31-day) \$5 \$15 Not available Unlimited \$125/3 months non-formulary generic & all brand \$30 \$30 Not available See above

<sup>a</sup> Plan Y has a \$3,500 out-of-pocket limit protection for combined inpatient and outpatient services, not including certain office visit copays, prescription drugs, medical supplies, and selected other benefits.

<sup>b</sup> \$40 specialist per visit copay, except \$10/visit to Allergy physicians, \$5/specimen to hospital pathologists, \$5/interpretation to hospital radiologists, \$50/visit to ER physician, \$200 for cataract surgery, \$50/each allergy skin testing, and 40% of charges for non-plan second medical opinion.

<sup>c</sup> \$50 specialist per visit copay, except \$15/visit to Allergy physicians, \$15/specimen to all hospital pathologists, \$15/interpretation to hospital radiologists, \$50/visit to ER physicians, \$400 for cataract surgery, and 50% of charges for non-plan second medical opinion.

<sup>d</sup> \$200 copay for complex procedures, defined as Cardiac Catheterization, MRI, Lithotripsy, Nuclear Stress Test, CAT Scan, and PET Scan; \$40 copay for all other simple diagnostic testing procedures; and \$50 copay for allergy skin testing.

<sup>e</sup> \$350 copay for complex procedures, defined as Cardiac Catheterization, MRI, Lithotripsy, Nuclear Stress Test, CAT Scan, and PET Scan; \$40 copayment for all other simple diagnostic testing procedures; and \$50 copay for allergy skin testing.

<sup>f</sup> \$1,000 per admission and \$200/day for days 7-30 at non-participating hospitals.

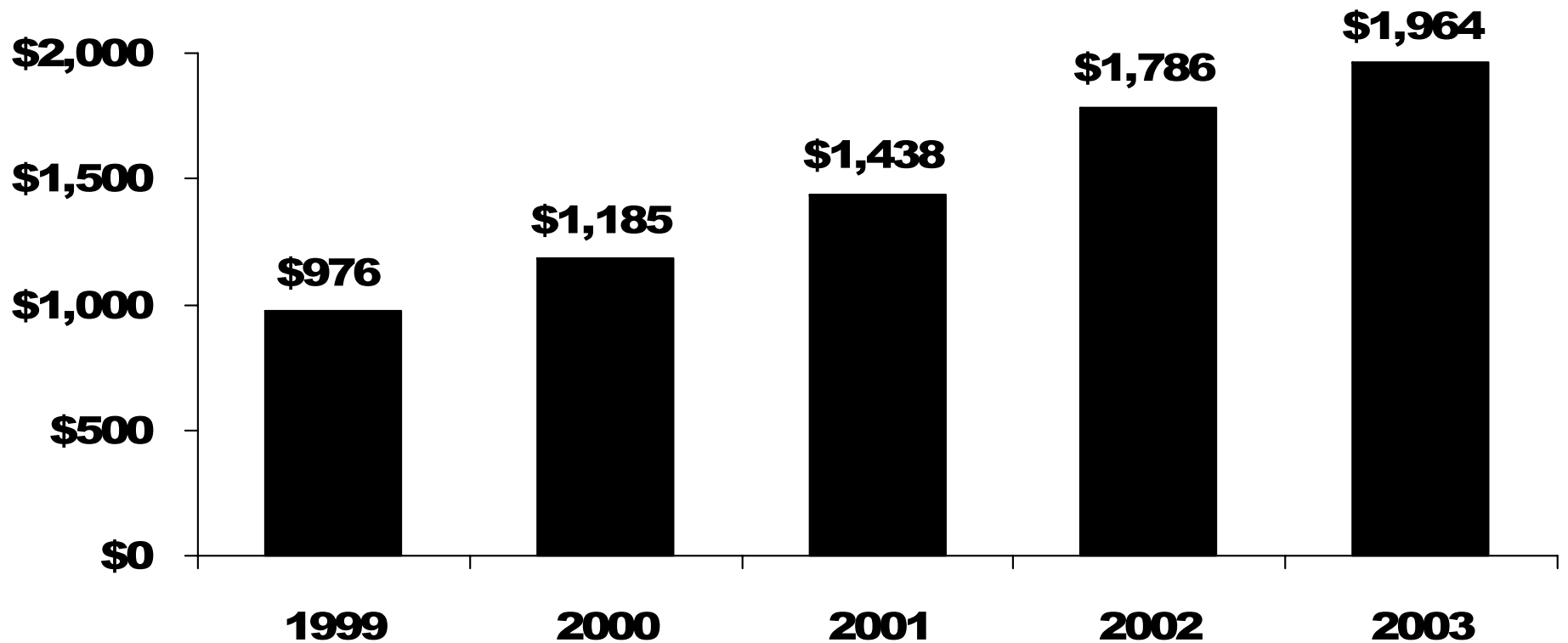
<sup>g</sup> \$1,000 per admission and \$300/day for days 7-30 at non-participating hospitals.

<sup>h</sup> Glucose monitors, test strips, lancets, and self-management training.

Source: G. Dallek and C. Edwards, *Restoring Choice to Medicare + Choice: The Importance of Standardizing Health Plan Benefit Packages*, The Commonwealth Fund, October 2001.



# Average Annual Out-of-Pocket Cost-Sharing for Medicare+Choice Enrollees, 1999–2003

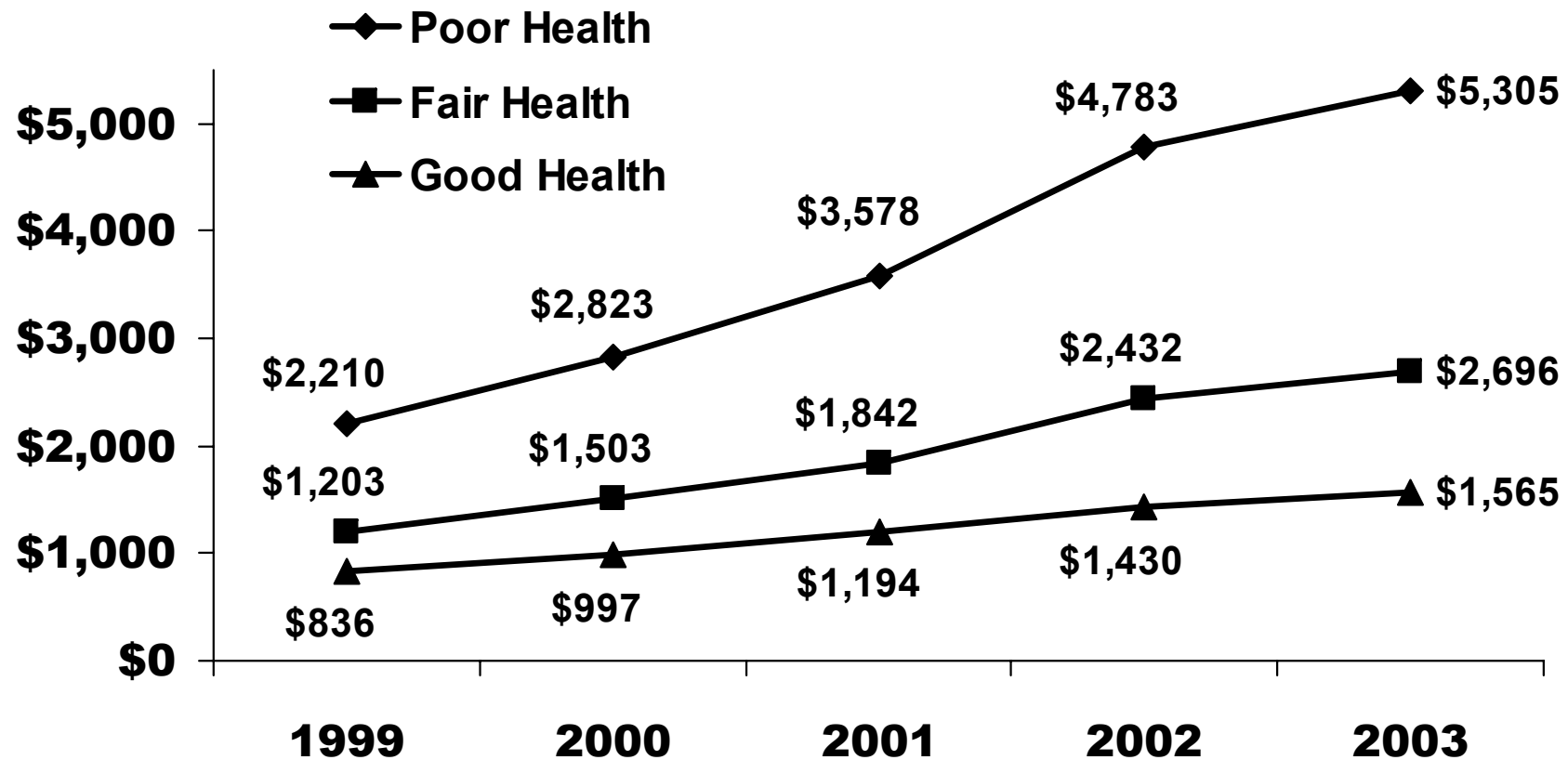


Note: Results are weighted by plan enrollment. Out-of-pocket cost estimates include the Medicare Part B premium, the Medicare+Choice premium, spending for physician and hospital copayments, and outpatient prescription drugs not covered by the M+C package.

Source: Marsha Gold and Lori Achman, *Average Out-of-Pocket Health Care Costs for Medicare+Choice Enrollees Increase 10 Percent in 2003*, The Commonwealth Fund, August 2003.



# Estimated Total Annual Out-of-Pocket Spending for Medicare+Choice Enrollees by Health Status, 1999–2003

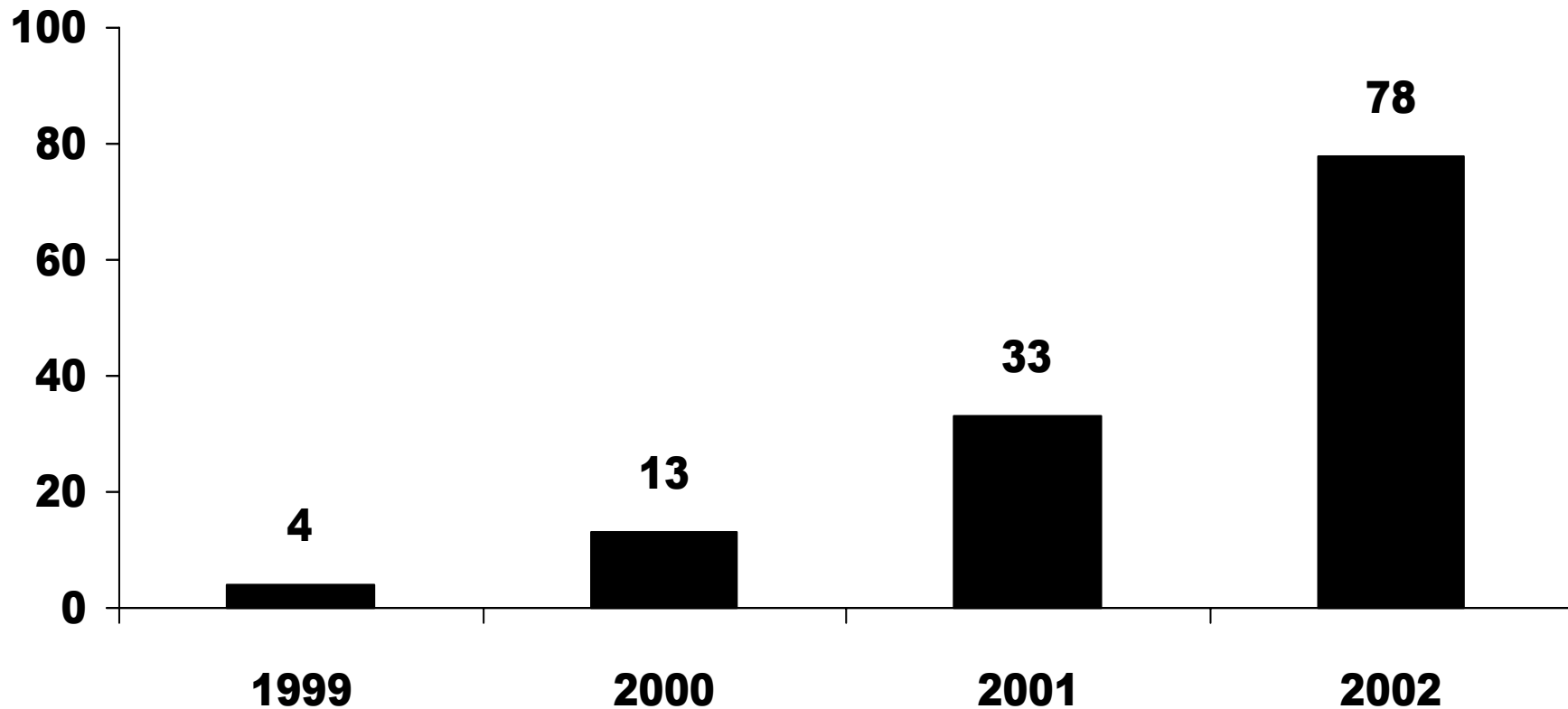


Source: Marsha Gold and Lori Achman, *Average Out-of-Pocket Health Care Costs for Medicare+Choice Enrollees Increase 10 Percent in 2003*, The Commonwealth Fund, August 2003.



# Percentage of Medicare+Choice Enrollees with Any Cost-Sharing for Inpatient Hospital Admissions, 1999–2002

Percentage of enrollees

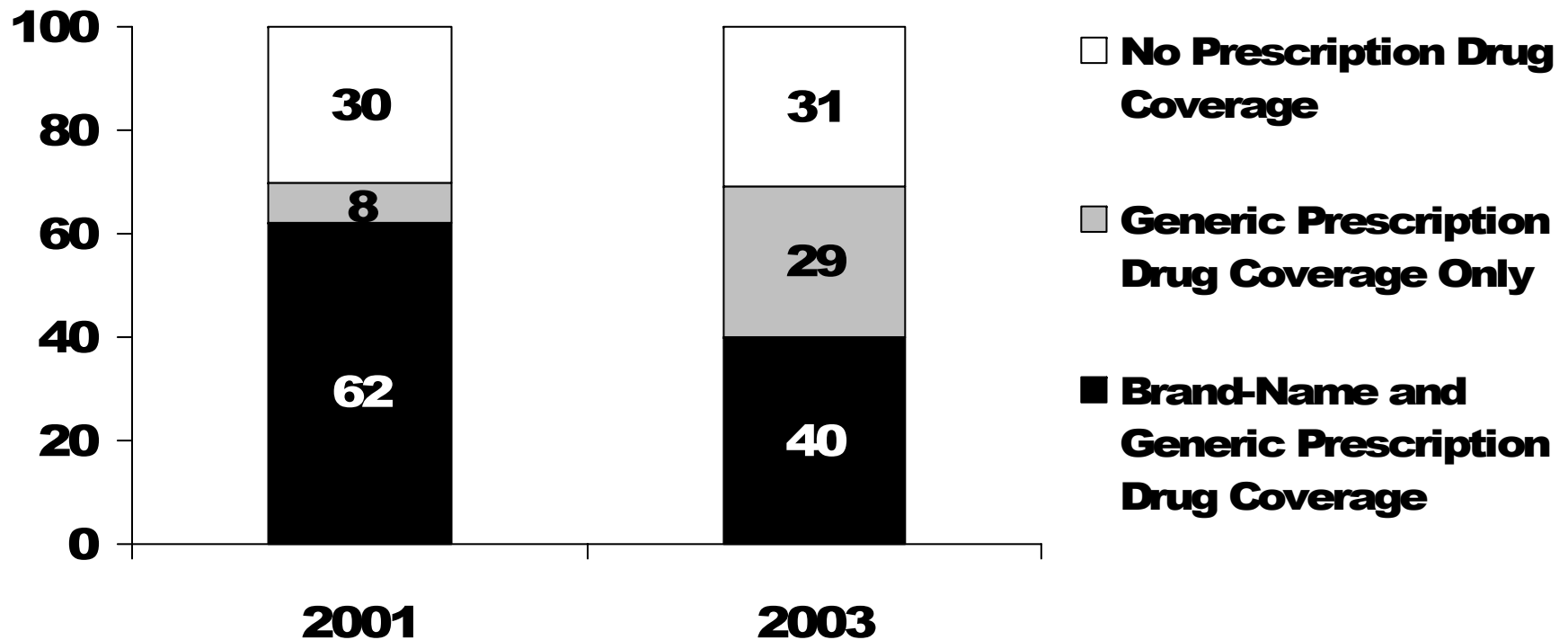


Source: Lori Achman and Marsha Gold, *Trends in Medicare+Choice Benefits and Premiums, 1999-2002*, The Commonwealth Fund, November 2002.



# Prescription Drug Coverage in Medicare+Choice, 2001–2003

## Percentage of enrollees



Note: Enrollment for 2001 is from March 2001. Enrollment for 2003 is from February 2003.

Source: Lori Achman and Marsha Gold, *Medicare+Choice Plans Continue to Shift More Costs to Enrollees*, The Commonwealth Fund, April 2003.

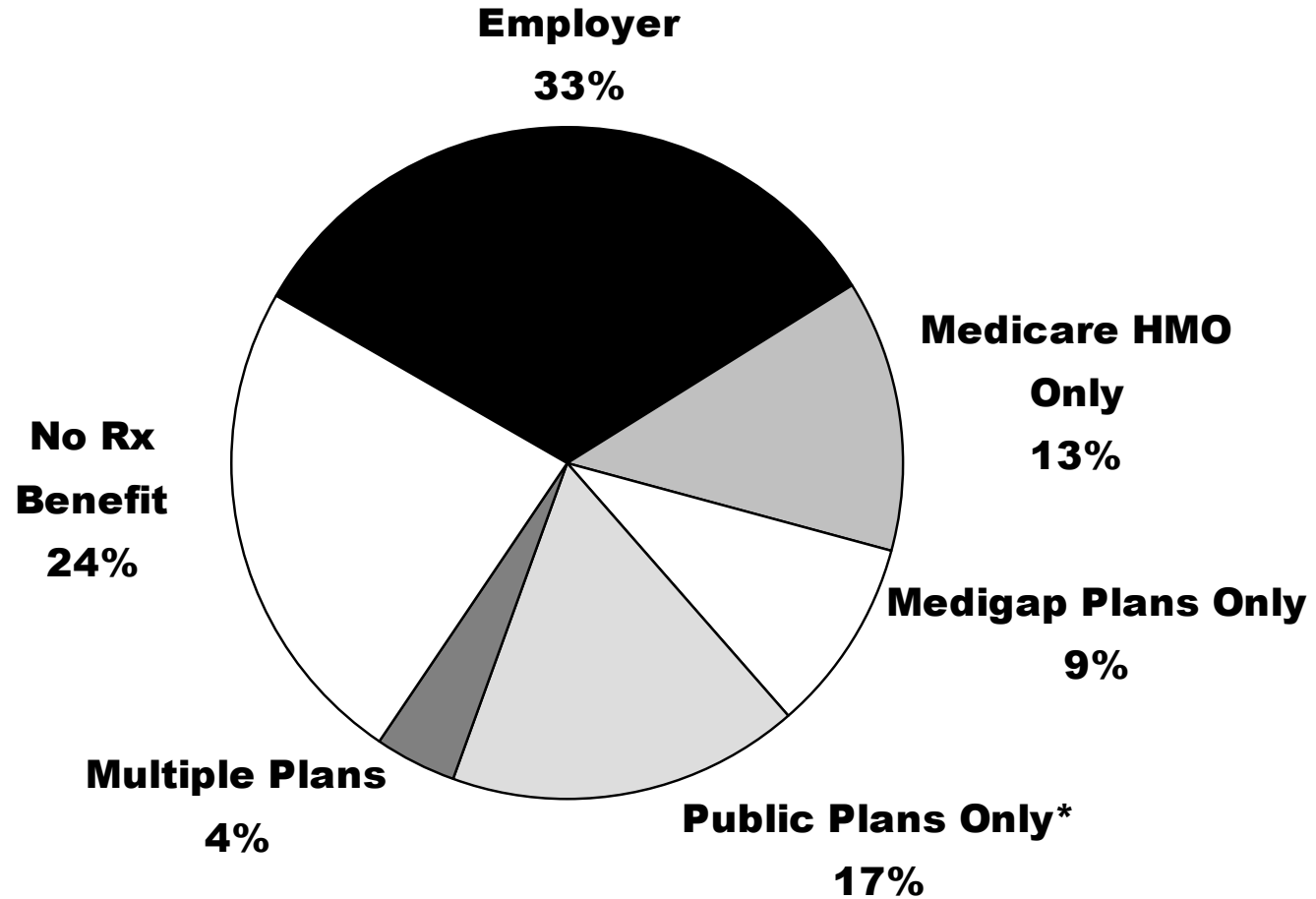




# Prescription Drugs



# Sources of Supplemental Coverage for Prescription Drugs Among Non-Institutionalized Medicare Beneficiaries, 2000



\* Includes Medicaid, Veteran Affairs, and various other programs.

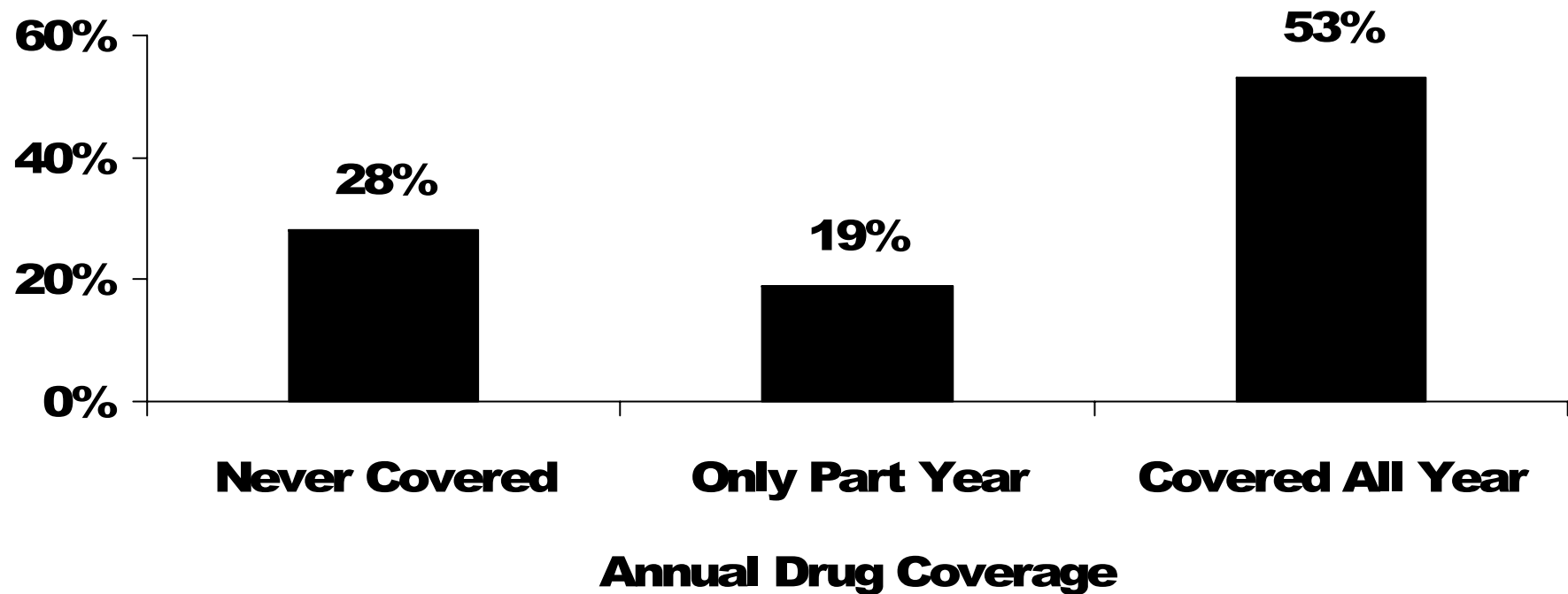
Source: Analysis of 2000 MCBS by Bruce Stuart for The Commonwealth Fund.



# Prescription Drugs: Barely One-Half Covered All Year

## Prescription Drug Coverage of Medicare Beneficiaries in 1996\*

### Percent of Beneficiaries

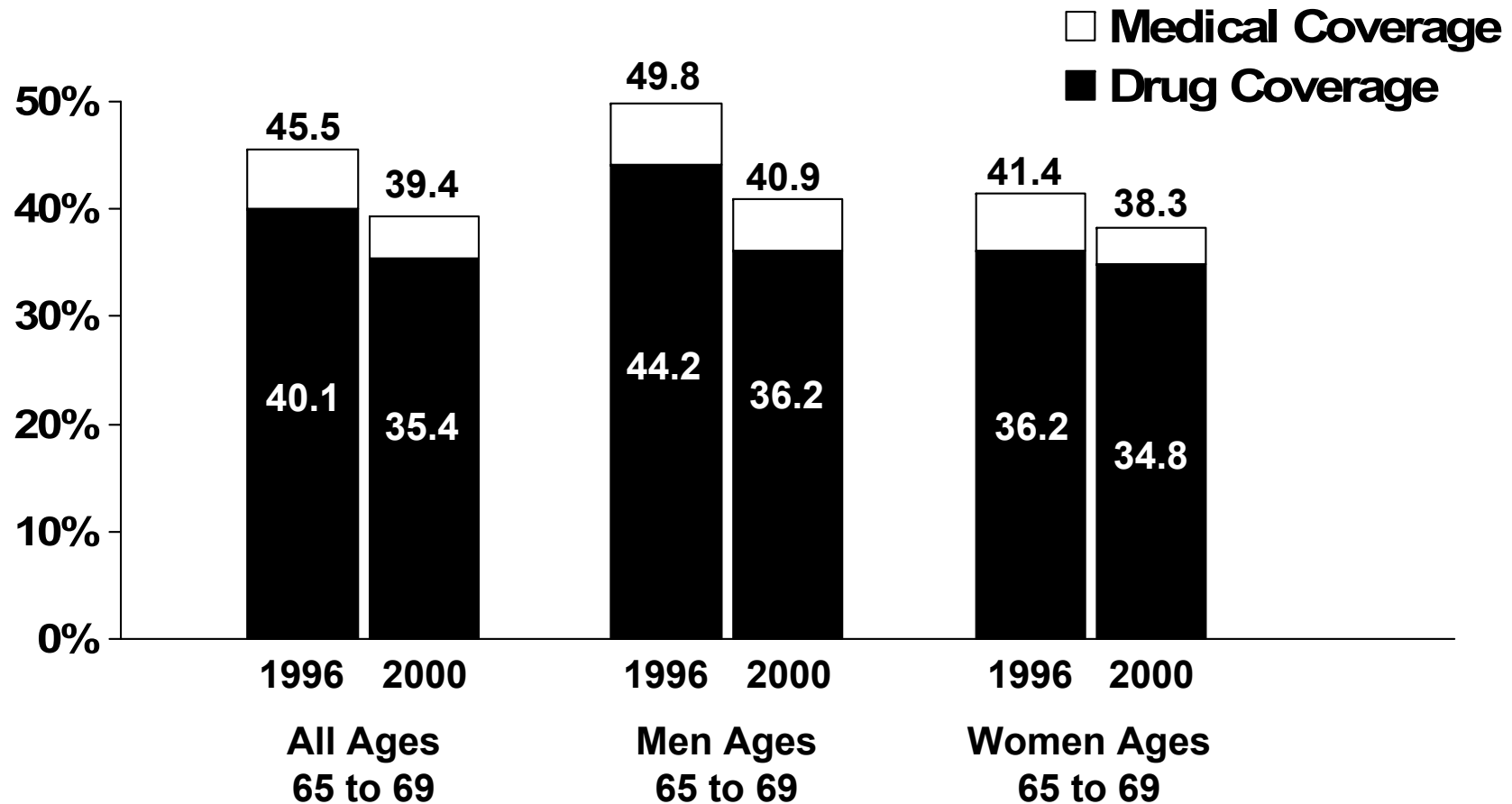


\* Noninstitutionalized beneficiaries enrolled in Medicare throughout 1996.

Source: Bruce Stuart, Dennis Shea, and Becky Briesacher, *Prescription Drug Costs for Medicare Beneficiaries: Coverage and Health Status Matter*, The Commonwealth Fund, January 2000.



# Percentage of 65-to-69-Year-Old Medicare Beneficiaries with Employer-Sponsored Medical and Drug Coverage, 1996 and 2000

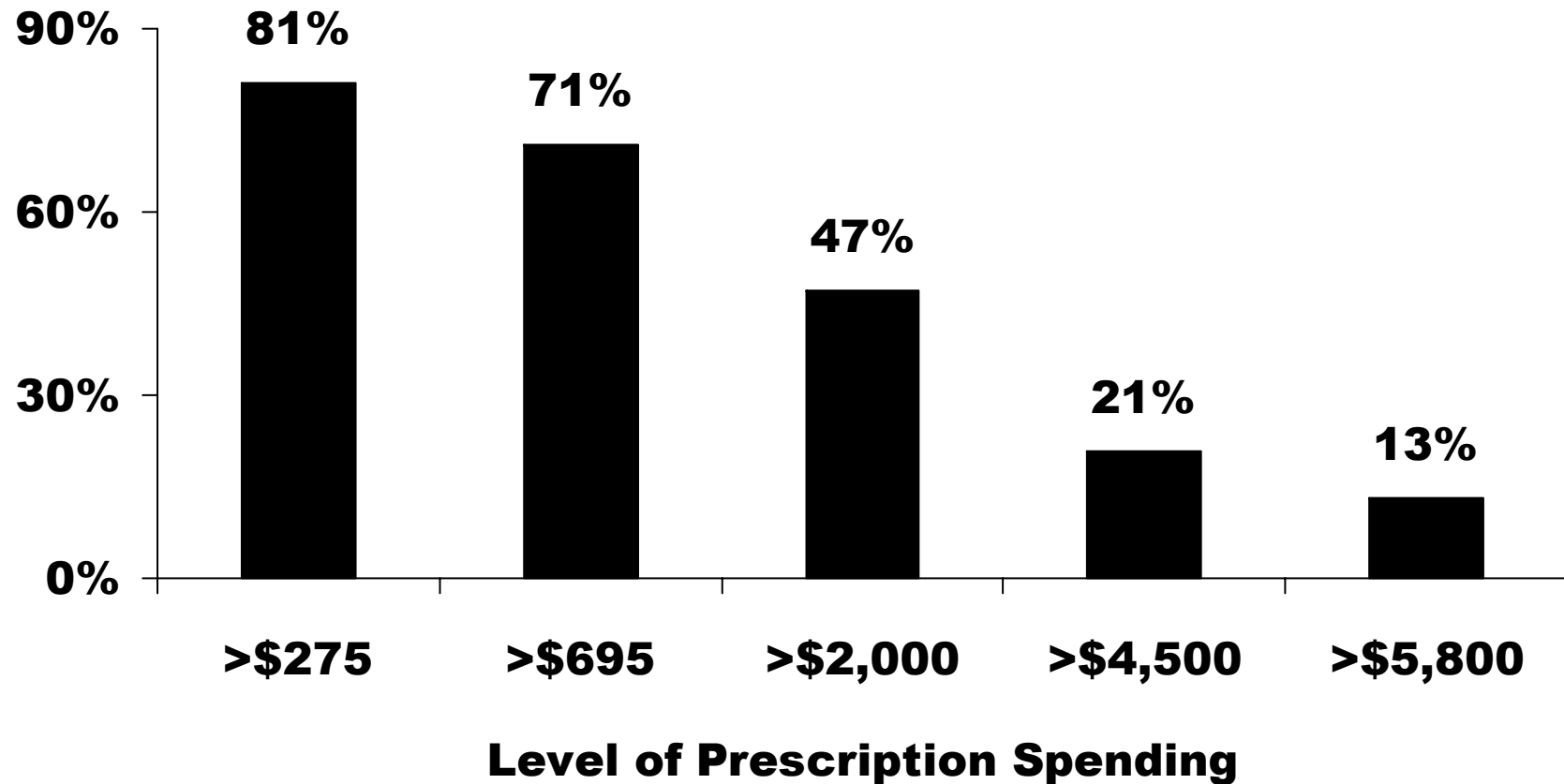


Source: B. Stuart, P. K. Singhal, C. Fahlman, J. Doshi, and B. Briesacher, "Employer-Sponsored Health Insurance and Prescription Drug Coverage for New Retirees: Dramatic Declines in Five Years," *Health Affairs* Web Exclusive (July 23, 2003): W3-334–W3-341.



# Projected Prescription Drug Spending of Medicare Beneficiaries, 2006

## Percent of Beneficiaries

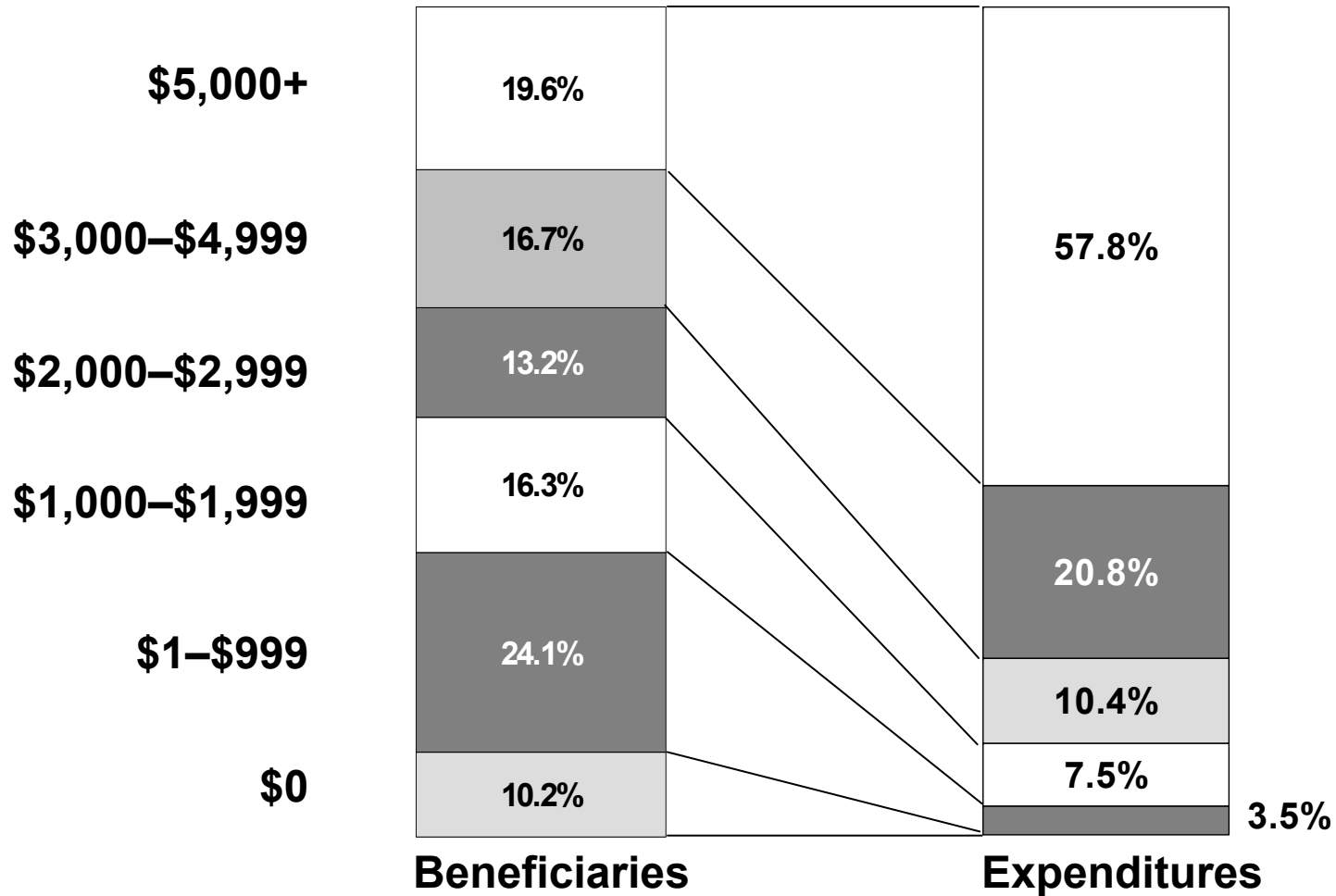


Note: Community-residing beneficiaries only.

Source: Dennis Shea and Bruce Stuart, Projections from cost-estimating model based on 1999 MCBS for The Commonwealth Fund.



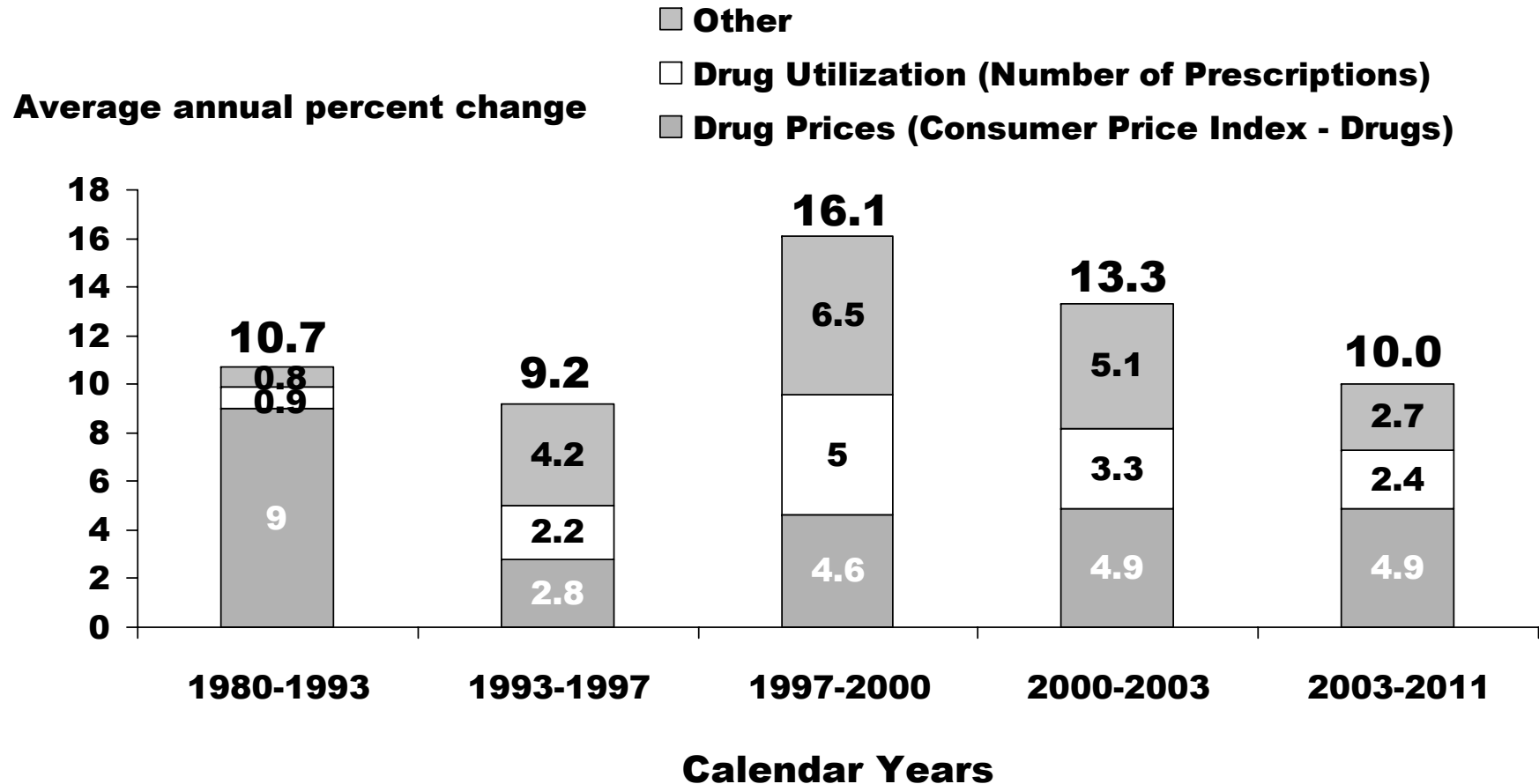
# Projected Distribution of Medicare Beneficiaries and Total Drug Expenditures, 2006 (updated 6/27/03)



Source: Actuarial Research Corporation analysis for the Kaiser Family Foundation, June 2003.



# Factors Accounting for Growth in Prescription Drug Spending per Capita, 1980–2011



Note: Data for 2000–2011 are projections.

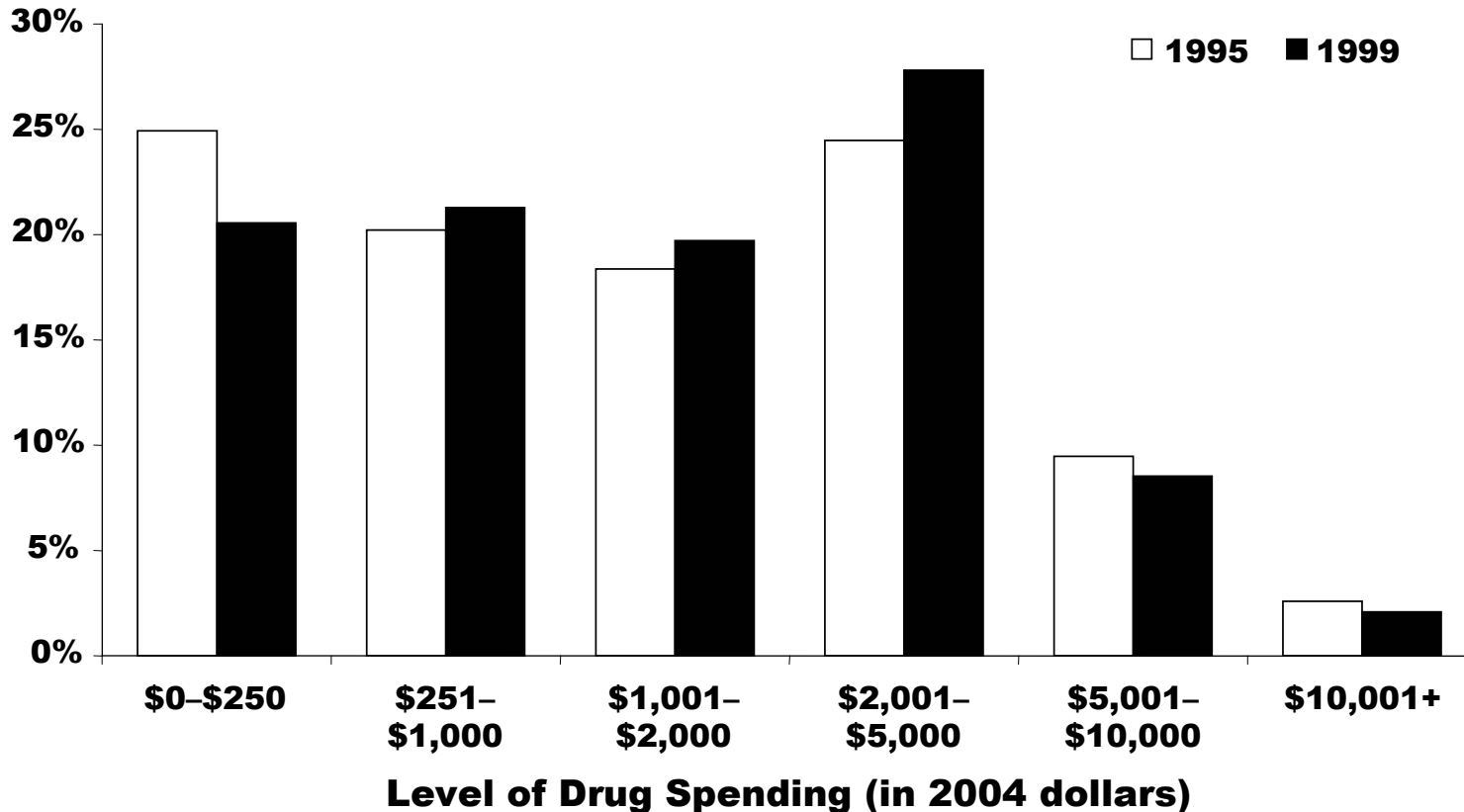
”Other” includes quality and intensity of services, and age-gender effects.

Source: Centers for Medicare and Medicaid Services, The CMS Chart Series, 2003.



# Change in Distribution of Medicare Beneficiaries, by Level of Drug Spending from 1995 to 1999

## Share of Beneficiaries



Note: Excludes beneficiaries living in nursing facilities.

Urban Institute analysis of the 1999 Medicare Current Beneficiary Survey, adjusted for Congressional Budget Office estimates of 2004 spending.

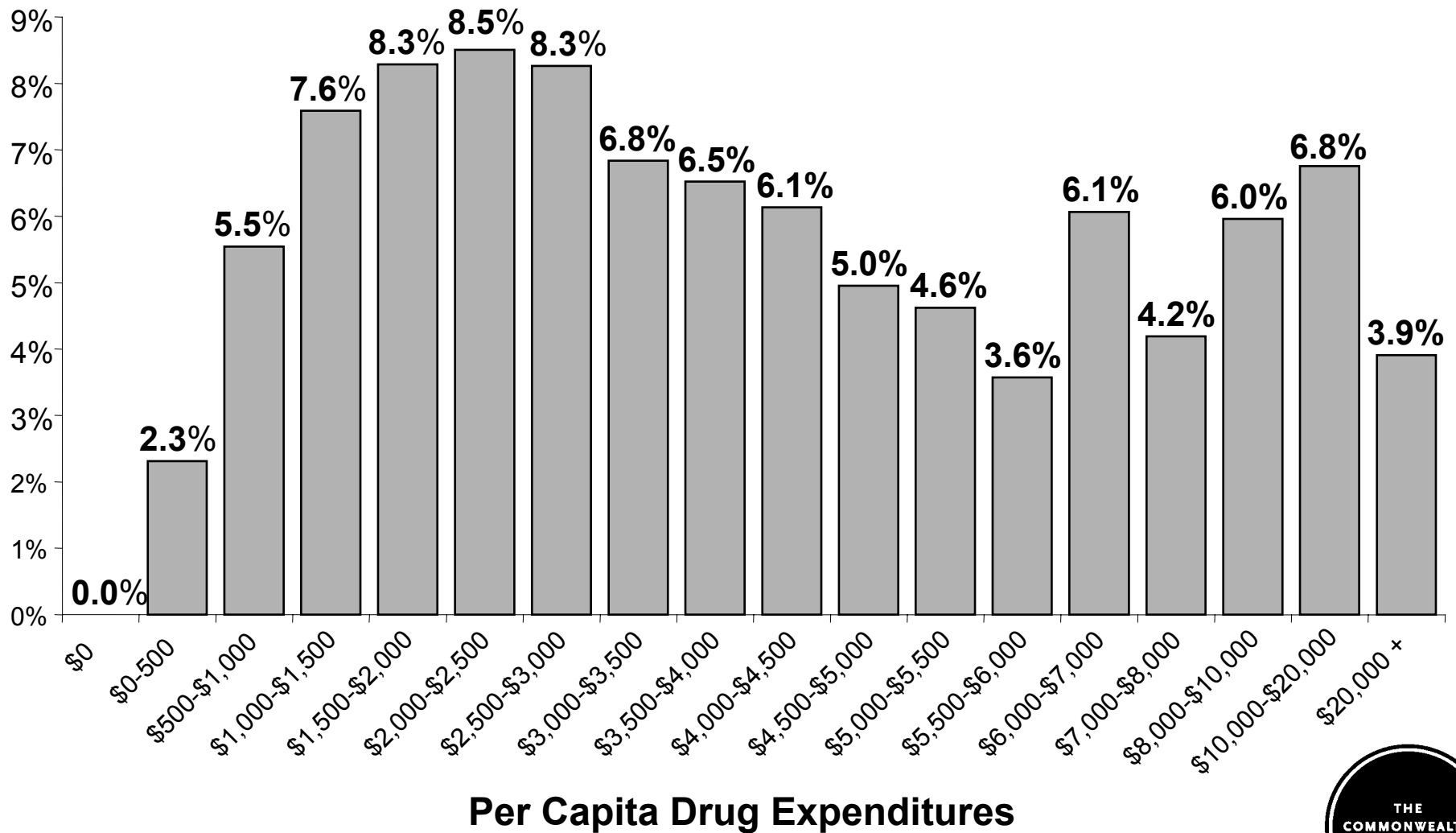
Source: C. Boccuti, M. Moon, and K. Dowling, *Chronic Conditions and Disabilities: Trends and Issues for Private Drug Plans*, The Commonwealth Fund, October 2003.





# Share of Total Drug Expenditures by Medicare Beneficiaries' Spending Levels

Percentage of Total Expenditures



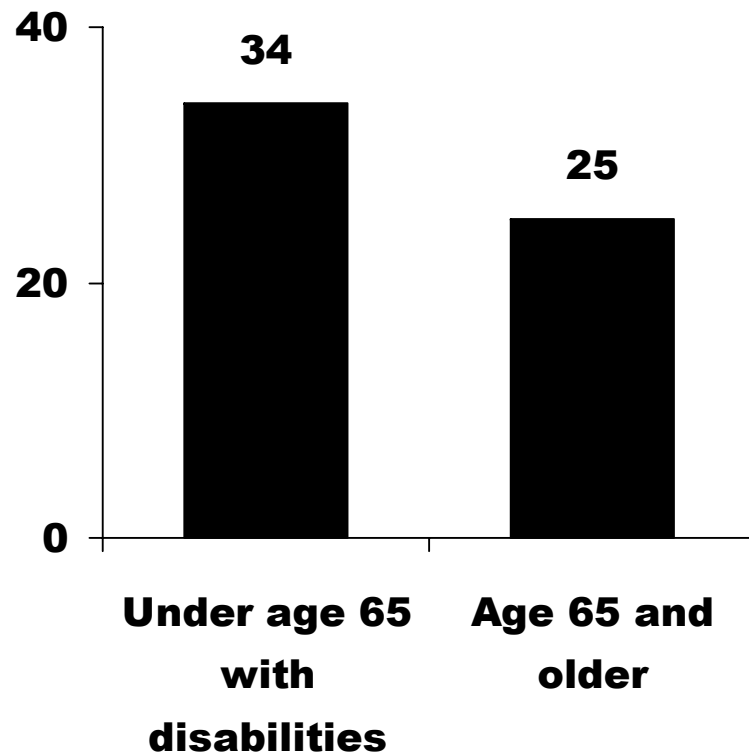
Per Capita Drug Expenditures

Source: Marilyn Moon, Urban Institute analysis of the 1999 MCBS.

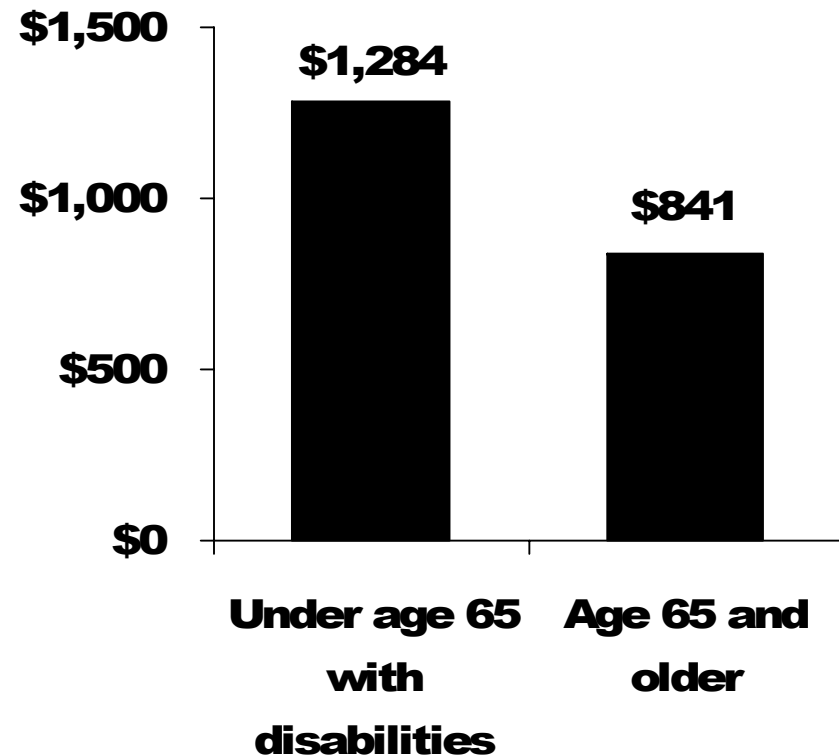


# Prescription Drug Use and Spending Among Medicare Beneficiaries, by Entitlement Status, 1998

**Mean annual number of prescriptions filled**



**Mean annual Rx spending**



Source: Becky Briesacher et al., *Medicare's Disabled Beneficiaries: The Forgotten Population in the Debate Over Drugs*, The Commonwealth Fund/Henry J. Kaiser Family Foundation, September 2002.



# Annual Prescription Fills and Average Drug Spending, by Number of Chronic Conditions

Number of Chronic Conditions	Prescription Fills	Average Drug Spending (2006 dollars)	Percentage with More than \$2,000 in Drug Spending
0	8	\$1,346	18%
1	12	\$1,819	27%
2	18	\$2,543	43%
3	24	\$3,426	56%
4	30	\$4,046	66%
5 or more	40	\$5,673	75%
<b>Total</b>	<b>23</b>	<b>\$3,320</b>	<b>51%</b>

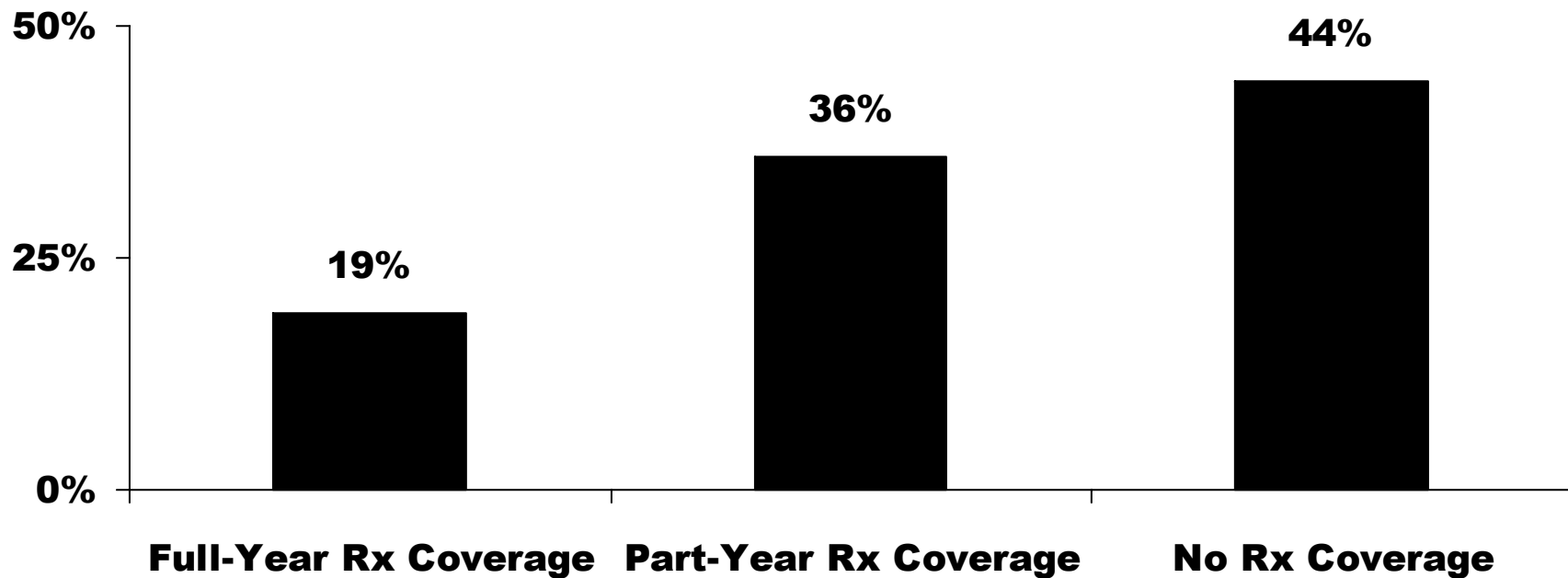
Note: Excludes end-stage renal disease and beneficiaries living full-year in a nursing facility.  
Urban Institute analysis of 1999 Medicare Current Beneficiary Survey. Spending in 2006 adjusted for Congressional Budget Office estimates.

Source: C. Boccuti, M. Moon, and K. Dowling, *Chronic Conditions and Disabilities: Trends and Issues for Private Drug Plans*, The Commonwealth Fund, October 2003.



# Out-of-Pocket Spending on Prescription Drugs as a Share of Income Among Beneficiaries Under Age 65 with Disabilities, by Drug Coverage Status

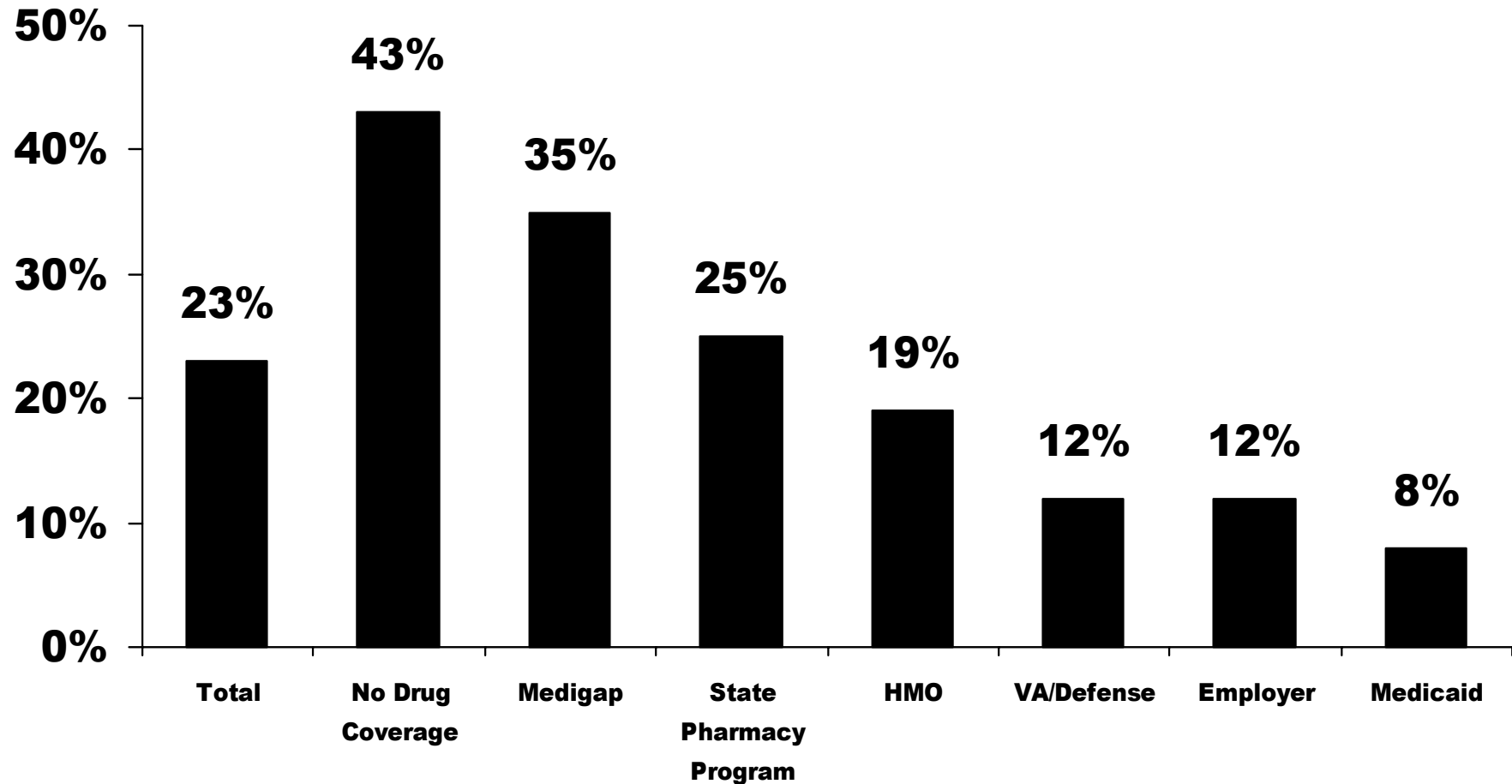
**Percent of <65 beneficiaries with disabilities spending 5 percent or more of their income on Rx**



Source: Becky Briesacher et al., *Medicare's Disabled Beneficiaries: The Forgotten Population in the Debate Over Drugs*, The Commonwealth Fund/Henry J. Kaiser Family Foundation, September 2002.



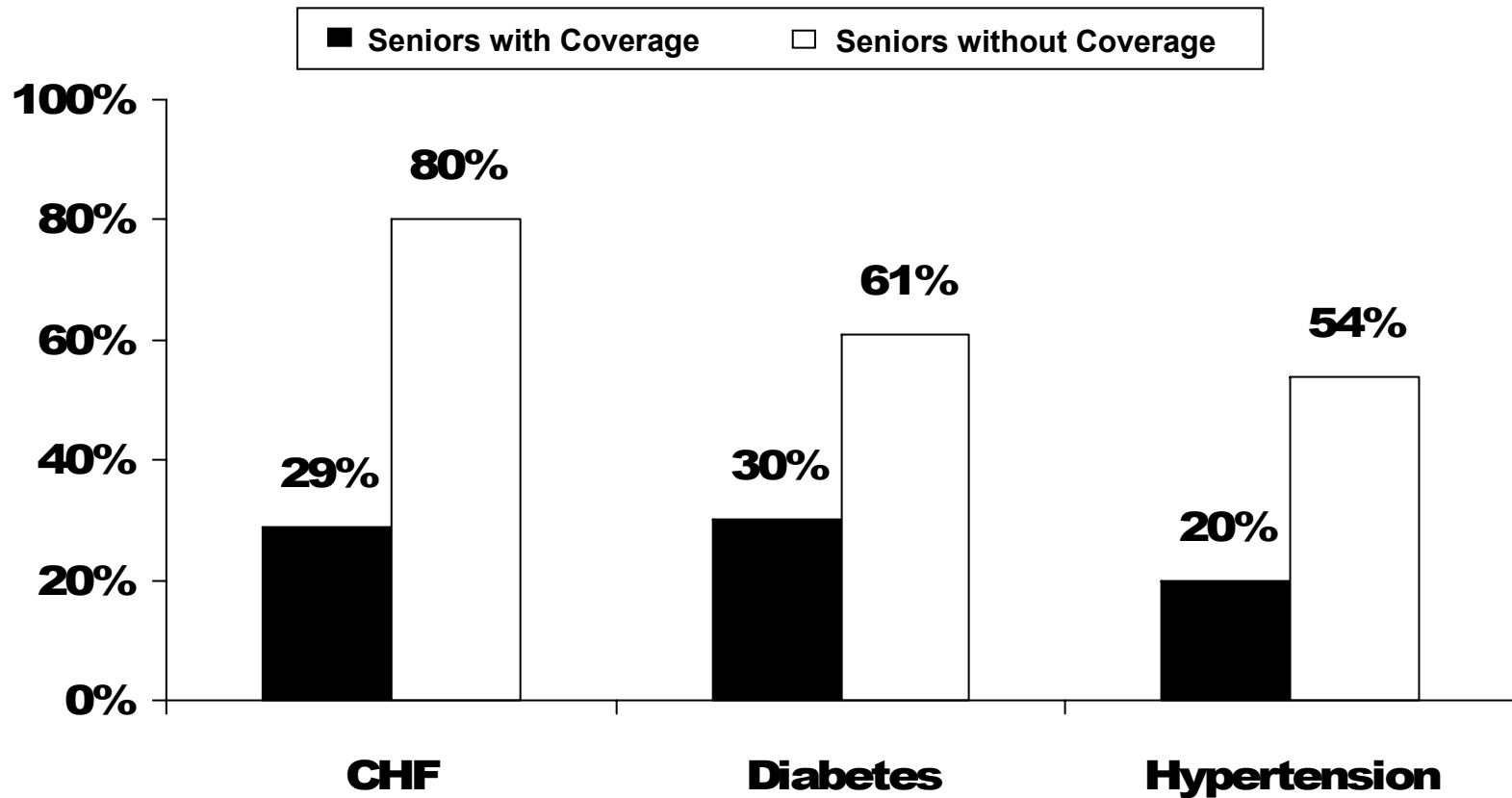
# Percent of Seniors in Eight States Who Spend \$100+ Per Month on Drugs, by Source of Drug Coverage



Source: Dana Gelb Safran et al., *Seniors and Prescription Drugs: Findings from a 2001 Survey of Seniors in Eight States*, The Commonwealth Fund/Kaiser/Tufts-New England Medical Center, July 2002.



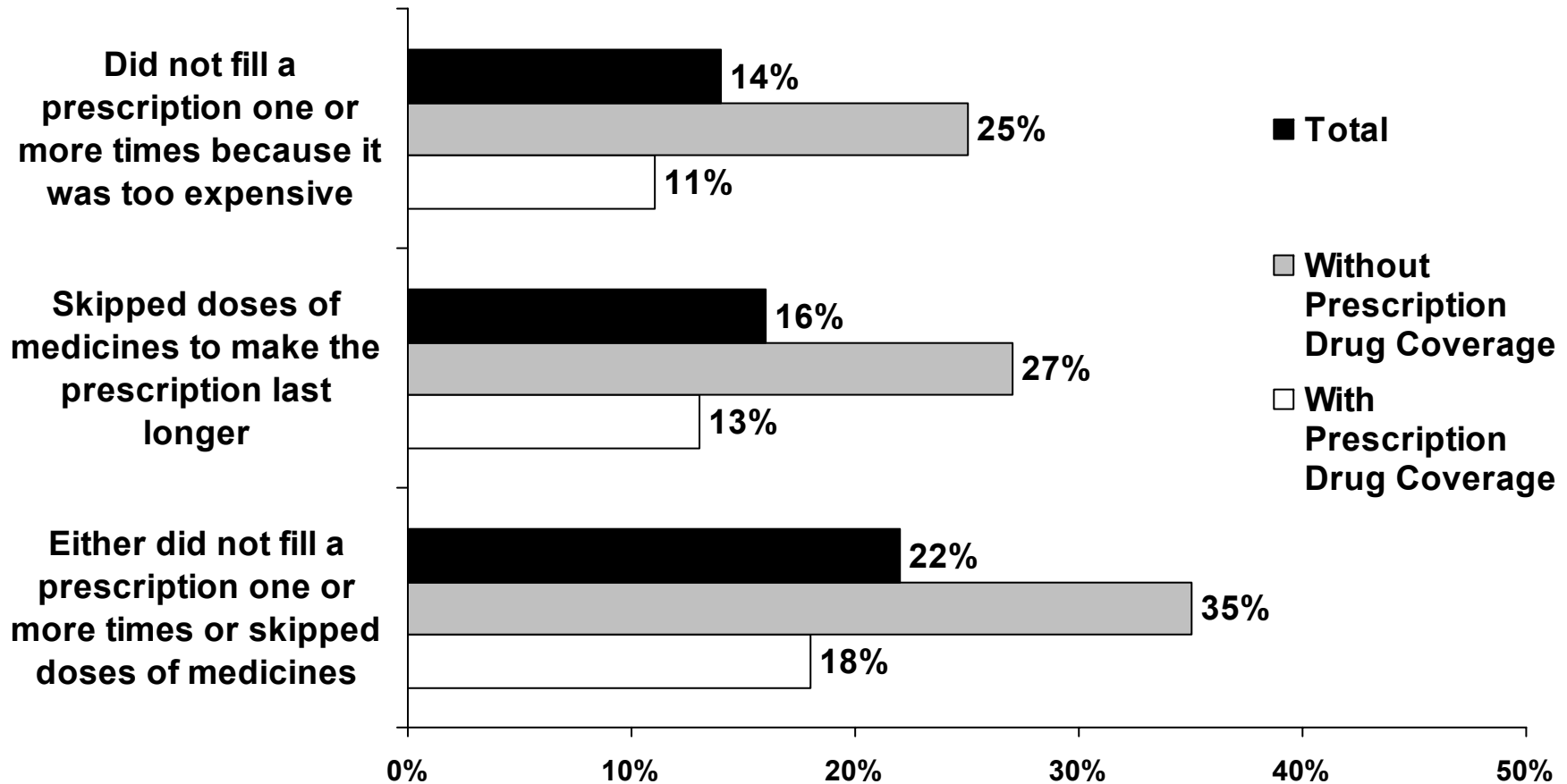
# Percent of Seniors in Eight States Who Spend \$100+ Per Month on Drugs, by Chronic Condition and Prescription Drug Coverage



Source: Dana Gelb Safran et al., *Seniors and Prescription Drugs: Findings from a 2001 Survey of Seniors in Eight States*, The Commonwealth Fund/Kaiser/Tufts-New England Medical Center, July 2002.



# Percent of Seniors in Eight States Who Did Not Fill a Prescription One or More Times Due to Cost or Skipped Doses to Make a Prescription Last Longer in the Last 12 Months, by Drug Coverage

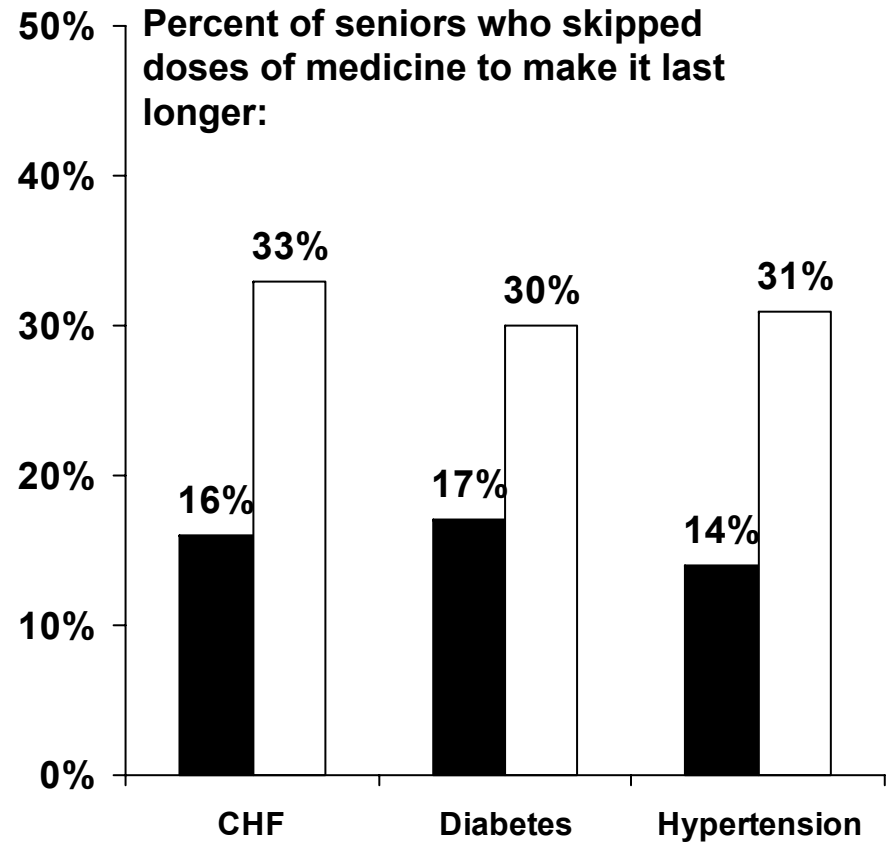
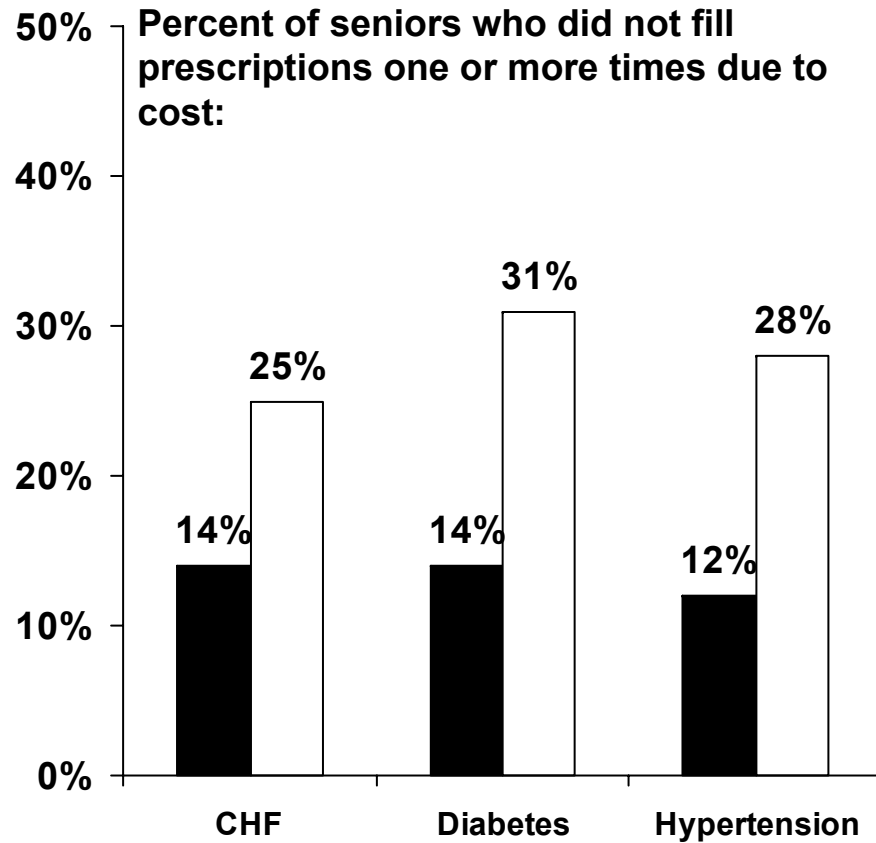


Source: Dana Gelb Safran et al., *Seniors and Prescription Drugs: Findings from a 2001 Survey of Seniors in Eight States*, The Commonwealth Fund/Kaiser/Tufts-New England Medical Center, July 2002.



# Percent of Seniors in Eight States Who Reported Forgoing Needed Medicines, by Chronic Condition and Prescription Drug Coverage

■ Seniors with Coverage    □ Seniors without Coverage



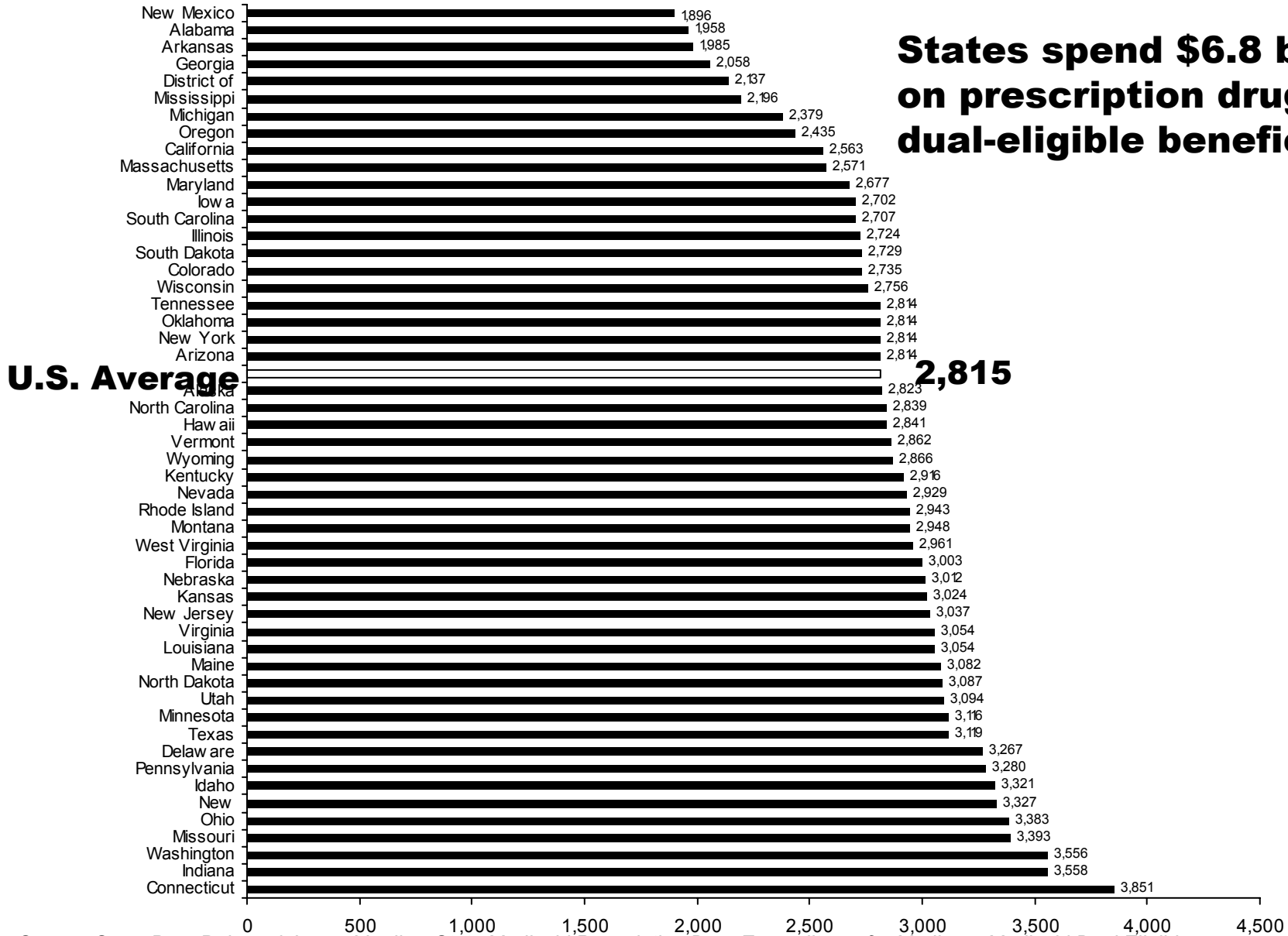
Source: Dana Gelb Safran, et al., *Seniors and Prescription Drugs: Findings from a 2001 Survey of Seniors in Eight States*, The Commonwealth Fund/Kaiser/Tufts-New England Medical Center, July 2002.





# Projected Annual Medicaid Prescription Drug Expenditures Per Dual Eligible with Full Medicaid Benefits, 2002 (in Dollars)

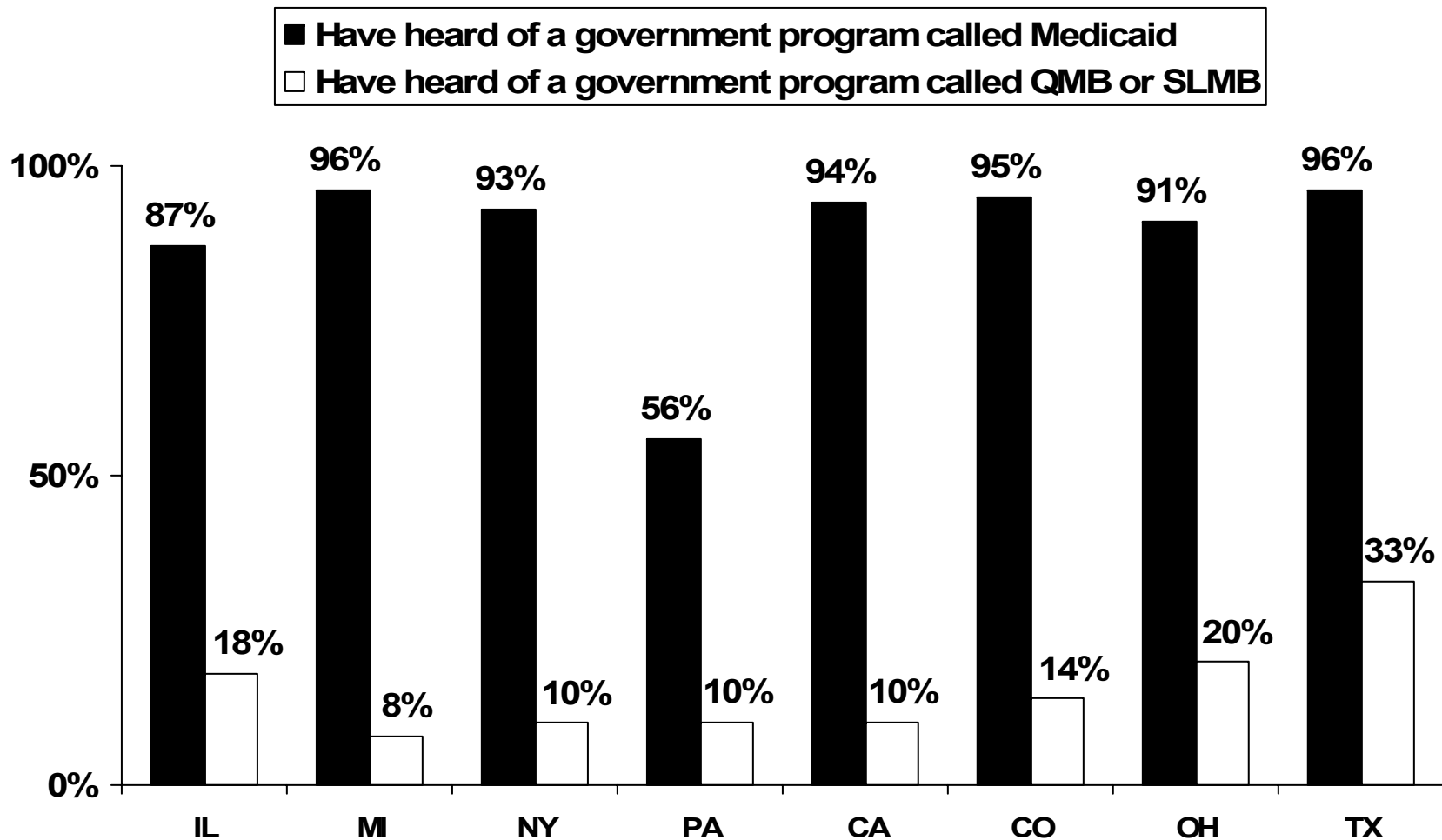
**States spend \$6.8 billion on prescription drugs for dual-eligible beneficiaries**



Source: Stacy Berg Dale and James Verdier, *State Medicaid Prescription Drug Expenditures for Medicare-Medicaid Dual Eligibles*, The Commonwealth Fund, April 2003.



# Percent of Seniors in Eight States with Incomes at or Below 100% of Poverty Who Have Heard of Medicaid and QMB/SLMB Programs



Source: Dana Gelb Safran et al., *Seniors and Prescription Drugs: Findings from a 2001 Survey of Seniors in Eight States*, The Commonwealth Fund/Kaiser/Tufts-New England Medical Center, July 2002.



# **Medicare Prescription Drug Improvement & Modernization Act of 2003**



# **Medicare Prescription Drug Improvement & Modernization Act of 2003**

- **Prescription drug coverage—largest benefit expansion in program history**
- **Structural changes—increased “privatization”**
- **Health Savings Accounts**



# **Key Features of Medicare Prescription Drug Benefit**

- **Voluntary benefit effective January 1, 2006**
- **Rx benefit through regional stand-alone private Rx plans or HMOS or PPOs**
- **\$410 billion in federal government spending, 2004–2013**
- **Annual premium in 2006 about \$420—can vary by plan**
- **Annual \$250 deductible indexed to drug spending**
- **Coverage gap (“donut hole”)—no coverage for spending between \$2,250 and \$5,100**
- **Subsidies for low-income beneficiaries**
- **Subsidies to employers to maintain retiree coverage**



# Medicare-Approved Drug Discount Card Program

- **Effective June 2004, all beneficiaries (except those with Medicaid drug coverage) can enroll in a Medicare-approved discount card program; program ends when new benefit is implemented**
- **Choice of at least discount 2 cards; discounts of about 10%–15% of total drug costs; enrollment fee up to \$30 annually**
- **Beneficiaries with incomes below 135% of poverty pay no fee and receive \$600 annual subsidy toward the purchase of drugs; no asset test**
- **Bush administration assumes only 4.7 million out of 7.2 eligible low-income beneficiaries will sign up for the program**
- **Increasing participation rates to 90% would provide valuable assistance to 6.5 million of the most vulnerable elderly and disabled beneficiaries**



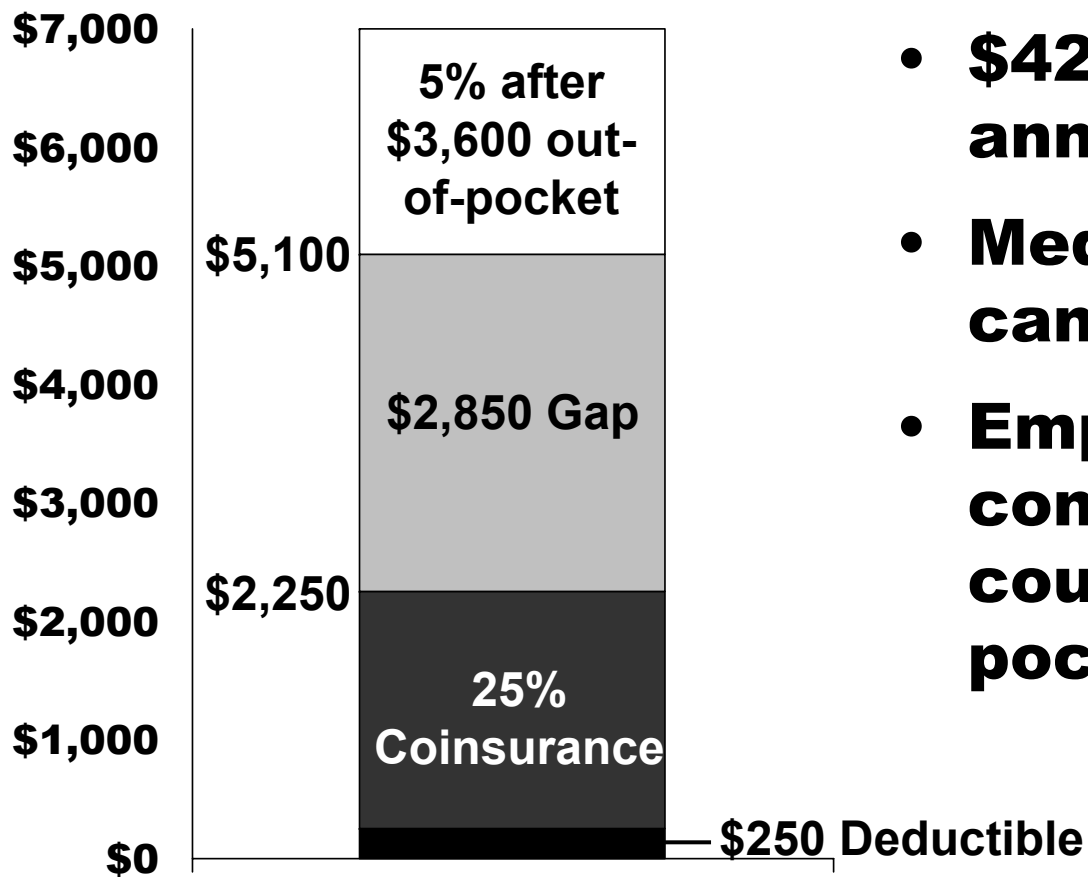
# Standard Drug Benefit

	<u>2006</u>	<u>2013</u>
<b>Annual Deductible:</b>	<b>\$250</b>	<b>\$445</b>
<b>Coinsurance to Initial Limit:</b>	<b>25%</b>	<b>25%</b>
<b>Initial Limit:</b>	<b>\$2,250</b>	<b>\$4,000</b>
<b>Out-of-Pocket Threshold:</b>	<b>\$3,600</b>	<b>\$6,400</b>
<b>Coverage Gap:</b>	<b>\$2,850</b>	<b>\$5,066</b>
<b>Coinsurance Above OOP: (greater of)</b>	<b>\$2/\$5 or 5%</b>	<b>\$3/\$8 or 5%</b>



# Prescription Drug Benefit 2006: Beneficiary Cost-Sharing

## Total spending by beneficiary



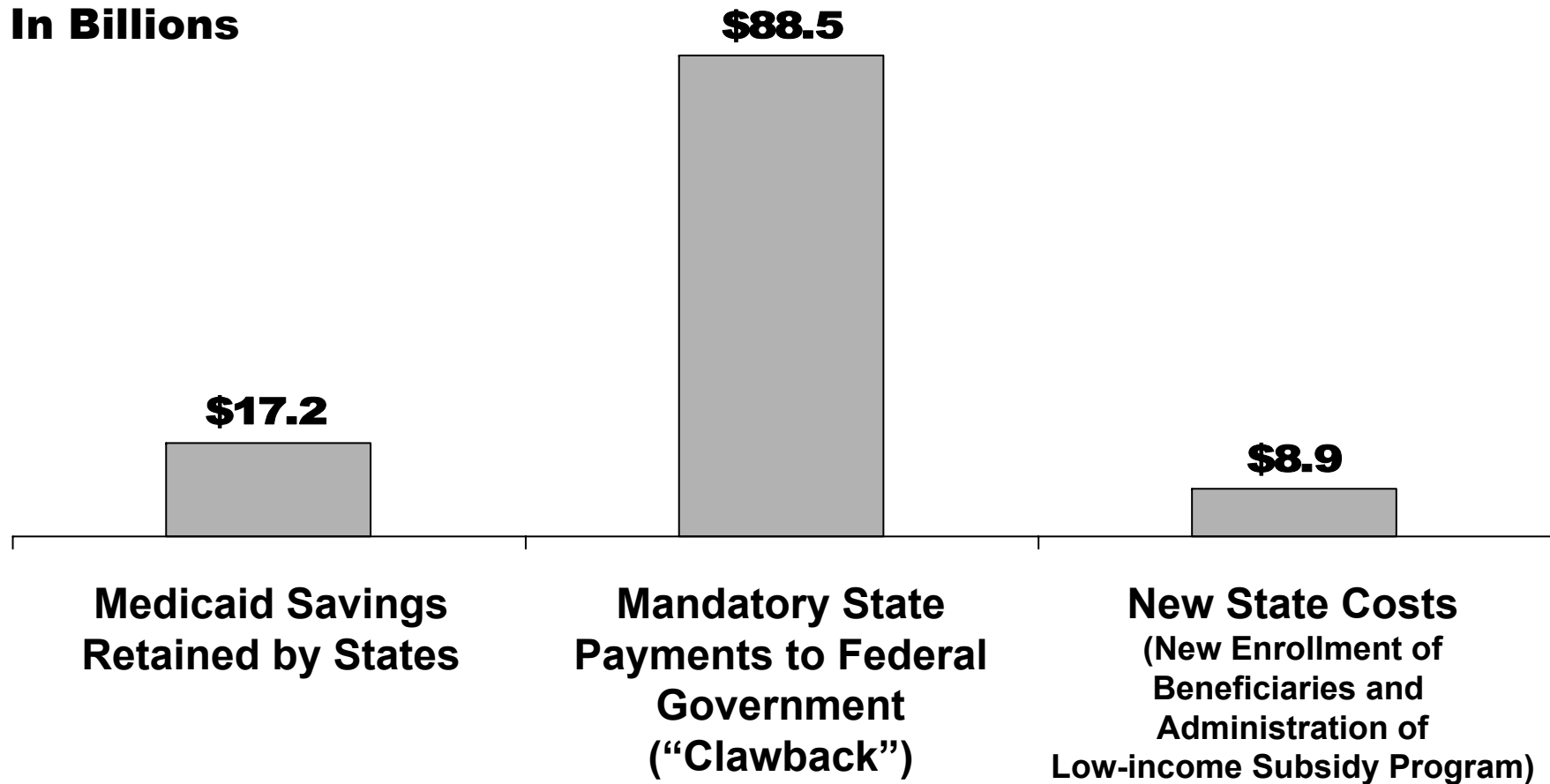
- **\$420 estimated annual premium**
- **Medigap and Medicaid cannot fill in gap**
- **Employer contributions do not count as out-of-pocket spending**





# Estimated Impact of the Medicare Law on State Medicaid Spending (FY 2004–2013)

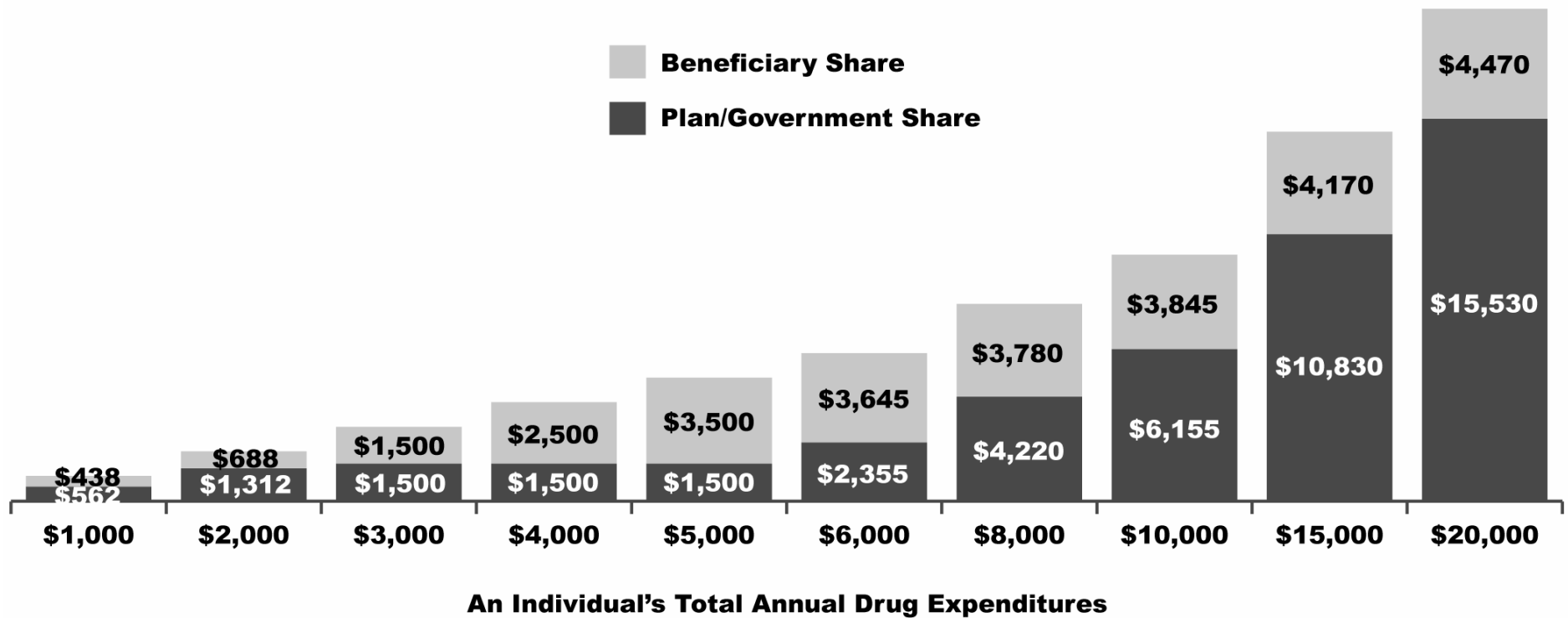
In Billions



Note: Estimates do not include the effects of Medicaid provisions in Title X of H.R. 1.  
Source: KCMU analysis of Congressional Budget Office estimates, 2003.



# Beneficiary and Plan Share of Spending in 2006, at Individual Expenditure Levels, Under the New Medicare Drug Benefit



Source: Marilyn Moon, American Institutes for Research.



## **Structural Change: Increased “Privatization”**

- **Stand-alone private drug plans**
- **Establishes Medicare Advantage—HMOs and new regional PPO options**
- **Subsidies to encourage private plan participation—extra payments to HMOs begin 2004; average payments exceed those in traditional Medicare**
- **Moves toward defined contribution plan—demonstration of competition between traditional Medicare and private plans starts in 2010**



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- L. Achman and M. Gold, *Medicare+Choice Plans Continue to Shift More Costs to Enrollees*, The Commonwealth Fund, April 2003
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- C. Boccuti, M. Moon, and K. Dowling, *Chronic Conditions and Disabilities: Trends and Issues for Private Drug Plans*, The Commonwealth Fund, October 2003
- G. Dallek, B. Biles, and L. H. Nicholas, *Lessons from Medicare+Choice for Medicare Reform*, The Commonwealth Fund, June 2003
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- K. Davis, C. Schoen, M. Doty and K. Tenney, “Medicare Versus Private Insurance: Rhetoric and Reality,” *Health Affairs* Web Exclusive (October 9, 2002)
- S. Maxwell, M. Storeygard, and M. Moon, *Modernizing Medicare Cost-Sharing: Policy Options and Impacts on Beneficiary and Program Expenditures*, The Commonwealth Fund, November 2002
- M. Moon, *Medicare Prescription Drug Legislation: How Would It Affect Beneficiaries?* The Commonwealth Fund, October 2003
- D. G. Safran, P. Neuman, C. Schoen, et al., “Prescription Drug Coverage and Seniors: How Well Are States Closing the Gap?” *Health Affairs* Web Exclusive (July 31, 2002)
- D. Shea, B. Stuart, and B. Briesacher, *Caught in Between: Prescription Drug Coverage of Medicare Beneficiaries Near Poverty*, The Commonwealth Fund, August 2003

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