



The Impact of Medicare Buy-In Policy on Employers

EBRI Webinar

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Speakers



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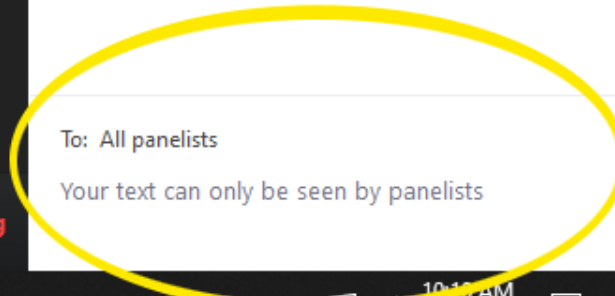
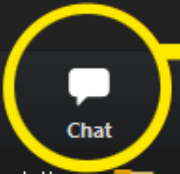
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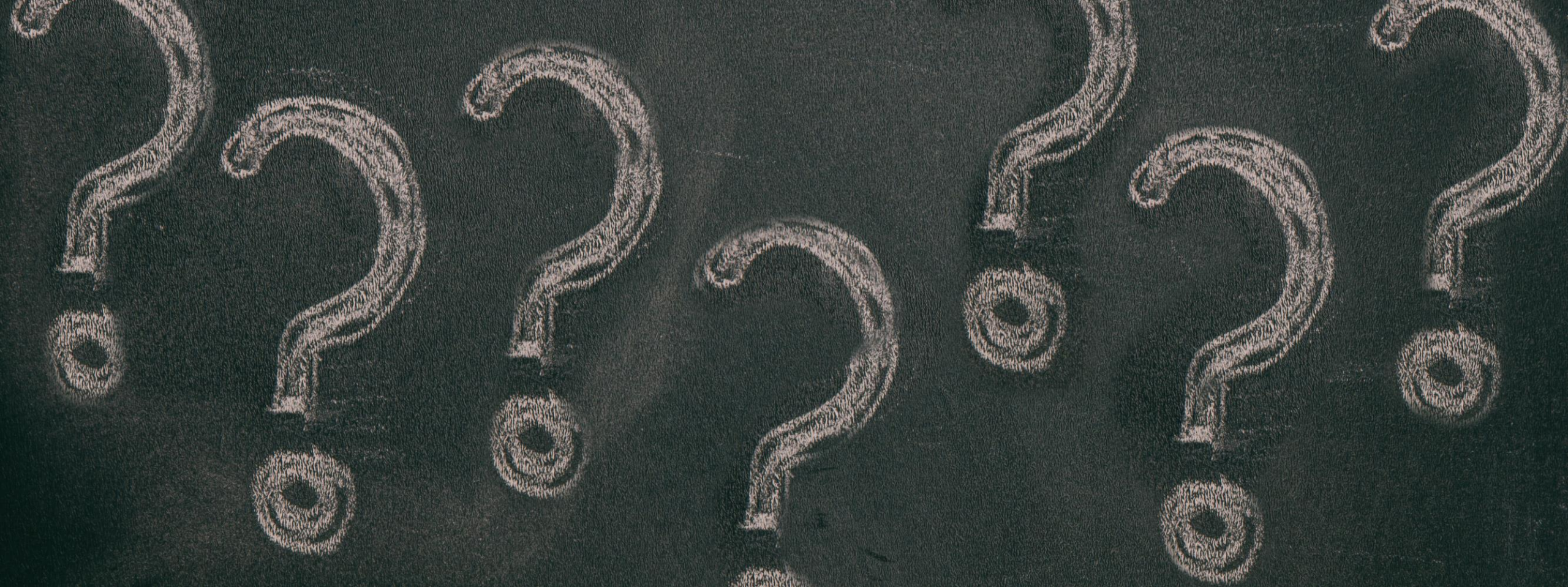


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**Money Can't Buy Me Love, but it Might Buy Me
Medicare**



POLLING QUESTIONS

PLEASE SHARE YOUR THOUGHTS

What is a Medicare Buy-In?

- A Medicare buy-in would allow older workers to enroll in Medicare before the age of 65
- Similar policy proposals have been kicking around DC for decades
 - Previously, such policies were targeted toward expanding coverage
 - Now, such policies seem to have a dual goal of expanding coverage and also reducing costs
- The pandemic may result in a political landscape that is more receptive to a public option, like a Medicare buy in

Who Might Switch?

- Higher spenders might switch
 - Might pay less out of pocket, given that Medicare reimburses providers at a lower rate
 - If higher spenders switch to Medicare, then the amount of spending shifted from employers could be significant
- Lower spenders might switch
 - Only workers unconcerned with bumping up against an out-of-pocket maximum would be tempted by switching
 - If lower spenders switch to Medicare, then the amount of spending shifted from employers will be marginal

Who Might Switch?

- To measure the impact of a Medicare buy in on employers, we built two models
- Our first model is naïve and examines the impact of switching if only higher (or lower) spenders move
 - First, we calculated how much the top 10, 20, and 50 percent of eligible workers spend; this represents the scenario in which only systematically high spenders switch
 - Next, we calculated how much the bottom 10, 20, and 50 percent of eligible workers spend; this represents the scenario in which only systematically low spenders switch
- Our second model simulates health care spending based on administrative data, and workers choose the option that minimizes their health care expenses

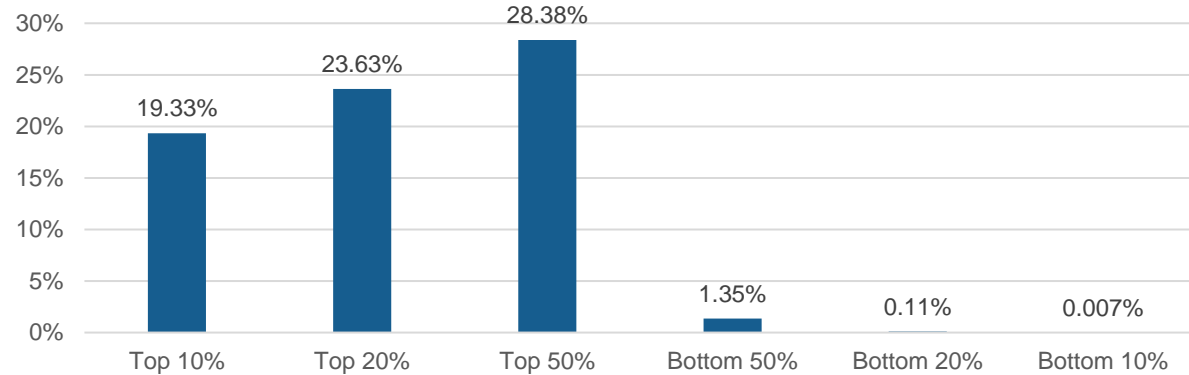
What are the Stakes?

- Before we dive into the results of the model, let's get some additional context:
- Using the Current Population Survey, we estimate that the eligible buy-in population ranges from about 12 million (60-64 year olds) to 39 million (50-64 year olds)
- Using administrative health care claims data, we estimate that the buy-in eligible population accounts for between \$133 billion and \$372 billion in health care spending per year

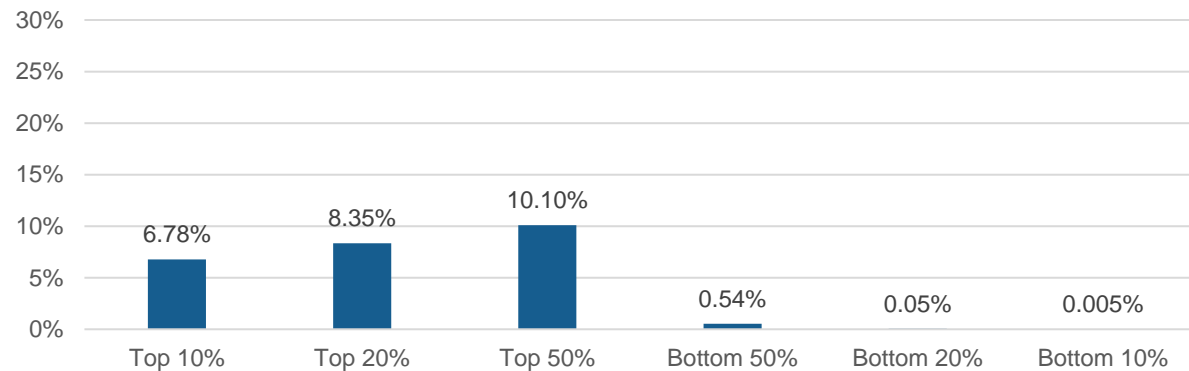
Naïve Model Results

- We find that the implications on employer spending vary dramatically depending on who switches
 - The top 10% spenders in the 50-64 year old age group account for 19.3% of total employer-sponsored health care spending; the bottom 10% account for less than 0.01%
- So, a Medicare buy-in could end up transferring a significant sum of health care spending to public rolls, or very little
- This analysis emphasizes that *who* switches is really the crux of the issue

Share of Total Employer-Sponsored Insurance Spending, by Spending Decile, 50–64 Age Group



Share of Total Employer-Sponsored Insurance Spending, by Spending Decile, 60-64 Age Group



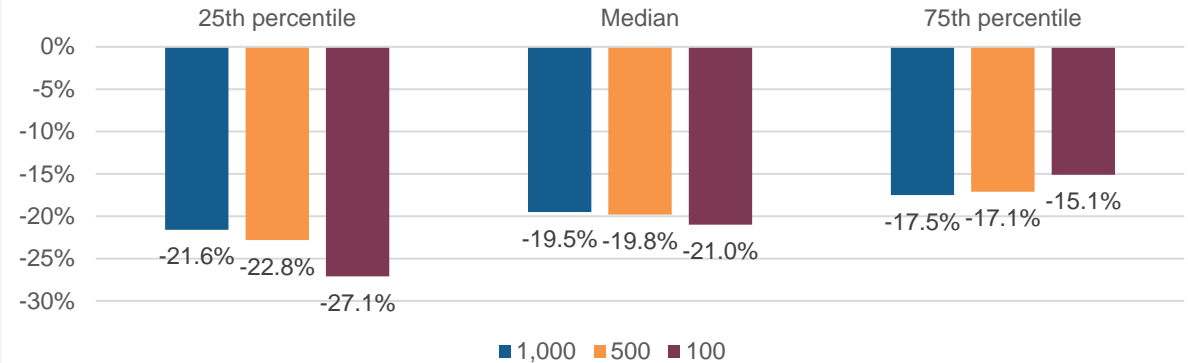
The Switching Model

- To make the modeling more sophisticated, we constructed synthetic firms based on the spending patterns we observed in the administrative health care claims database
 - We simulated health care expenditures over the course of a year, and eligible workers chose the option that minimized their health care expenditures
 - This method allows us to examine the attractiveness of the buy-in option vis-à-vis employer-sponsored insurance; we conducted several sensitivity analyses in which we varied employer-sponsored insurance's deductible, out-of-pocket maximums, and premiums
 - The model reports the reduction in the total health care spending incurred by firms with 1,000, 500, and 100 workers

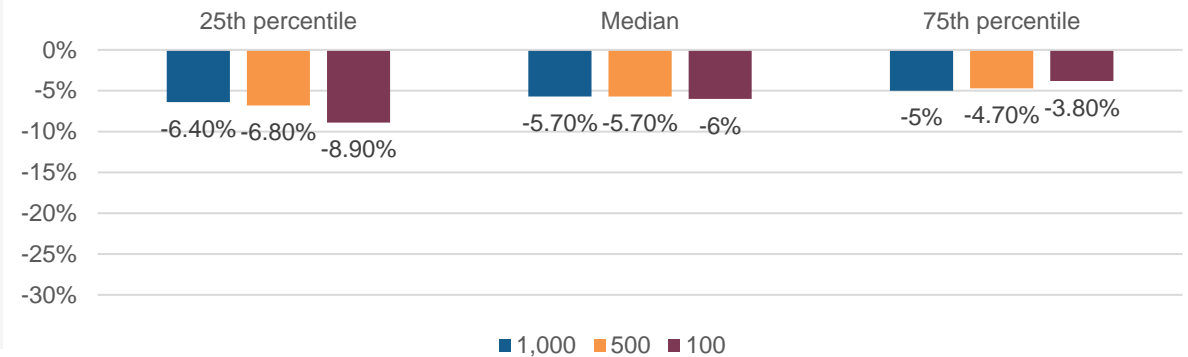
Switching Model Results

- First, we assume the employer-sponsored plan features a \$1,000 deductible, \$4,000 out-of-pocket maximum, and the same worker-paid premiums as the buy-in option
- For a firm with 1,000 workers at a firm with median health care spending, switchers account for 19.5 percent of the firm's health care spending for the 50-64 age group
 - The spending reductions are smaller for the 60-64 age group, because there are fewer workers eligible to switch

Reduction in Hypothetical Firms' Health Care Spending Arising From Eligible 50–64 Workers Switching to Medicare, by Firm Size, Baseline Simulation



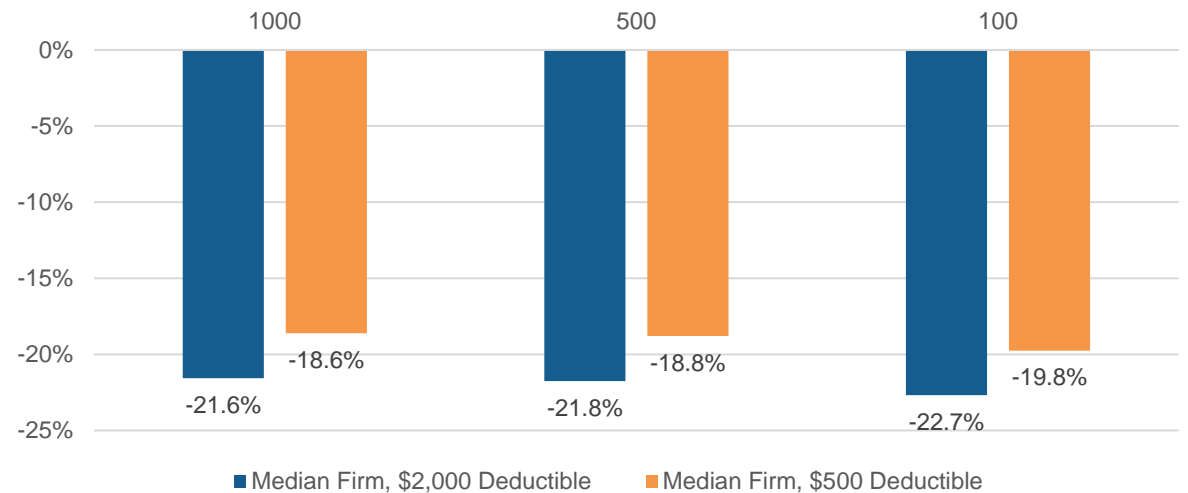
Reduction in Hypothetical Firms' Health Care Spending Arising From Eligible 60–64 Workers Switching to Medicare, by Firm Size, Baseline Simulation



Switching Model Results

- Next, we vary the generosity of the employer-sponsored plan; we compare the health care savings realized by firms with plans that feature a \$2,000 deductible and a \$500 deductible, with the same out-of-pocket and premiums as before
- We see that firms with lower deductibles see smaller decreases in health care spending – this indicates that lower deductibles nudge more workers to stay on the employer-sponsored plan

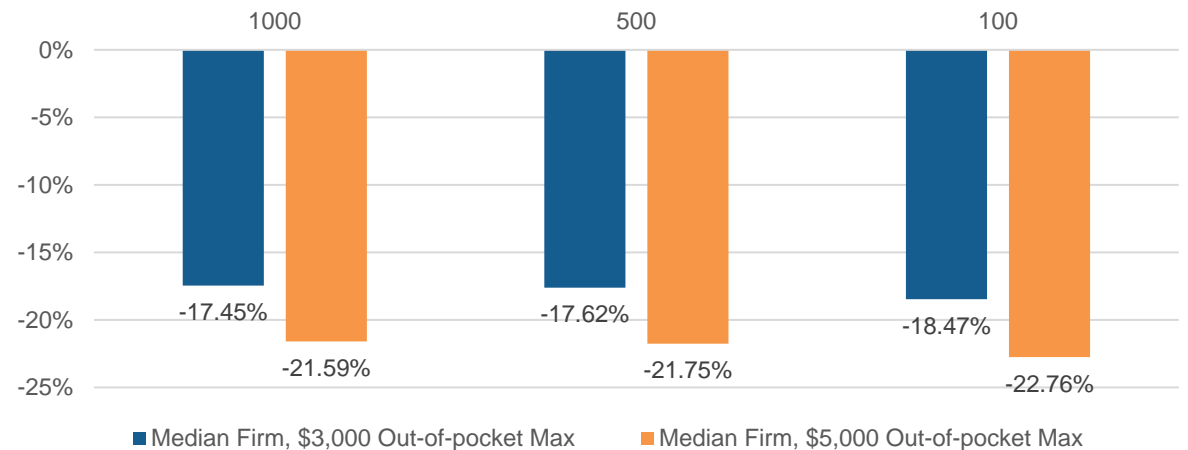
Reduction in Hypothetical Firms' Health Care Spending Arising From Eligible 50–64 Workers Switching to Medicare, by Firm Size, Varying Deductible Assumptions



Switching Model Results

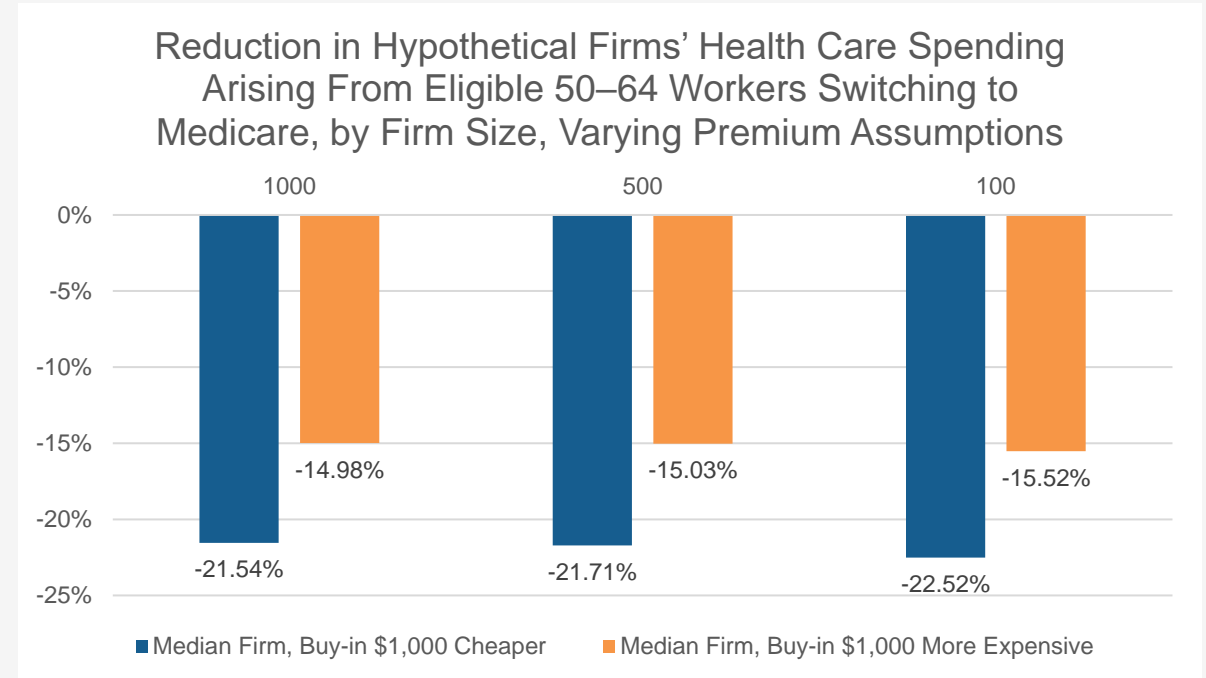
- We continue experimenting with tweaking the generosity of the employer-sponsored plan; comparing firms with the same \$1,000 deductible as the baseline simulation, we now vary out-of-pocket maximums
- We see that firms with lower out-of-pocket maximums see smaller decreases in health care spending – this indicates that lower out-of-pocket maximums nudge more workers to stay on the employer-sponsored plan

Reduction in Hypothetical Firms' Health Care Spending Arising From Eligible 50–64 Workers Switching to Medicare, by Firm Size, Varying Out-of-Pocket-Maximum Assumptions



Switching Model Results

- Finally, we conduct a sensitivity analysis on premiums; comparing firms with the same deductible and out-of-pocket maximums as the baseline, we vary making the Medicare buy-in less and more expensive than the employer-sponsored insurance
- We see that when the buy-in has lower premiums, then more eligible workers switch to Medicare



Implications for Employers

- Spending reductions vary depending on the employer-sponsored plan's generosity; the good news is that in no cases does employer spending on health care increase!
- When eligible workers switch to the Medicare buy-in option, premiums for workers who remain on the employer-sponsored plan often increase
- Our model suggests that very high spenders will likely stay on the employer-sponsored plan, since employer-sponsored insurance features an out-of-pocket maximum
- So, for the vast majority firms, the average spending on health care per remaining employee will increase; we found that this was the case for 99% of the hypothetical firms with 1,000 employees
- Since this might be unpopular among remaining workers, employers could use some of the cost savings they realize to blunt the increase in premiums

Conclusion and Further Considerations

- Our model indicates that the reduction in health care spending depends crucially on who switches – high or low spenders – and who switches depends on the generosity of the employer-sponsored plan relative to the Medicare buy-in
 - We find that making the employer-sponsored plan more attractive – lower premiums, lower deductibles, or lower out-of-pocket maximums – leads to fewer workers switching to the buy-in, and smaller reductions in health care spending
- If eligible workers could buy a Medicare Advantage plan, then even more workers might be interested in switching to Medicare
 - Since our model suggests that out-of-pocket maximums in employer-sponsored insurance plans nudge high spenders to remain on the employer's plan, then a Medicare Advantage plan may encourage those high spenders to enroll

Bill Kramer, Executive Director, Health Policy, Pacific Business Group on Health



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OF THE UNITED STATES OF AMERICA
1615

The *Dangerous* Impact of Medicare Buy-In Policy on Employers



U.S. CHAMBER OF COMMERCE

Overview

- What We've Seen: The Good
Strength of ESI
- What We Can Expect: The Bad
The Consequences of Medicare Buy-In
- What Supporters Have Wrong: The Ugly
Downward Spiral on Coverage & Quality
- No Good Reason to Risk It!
Priorities are not accomplished

What We've Seen: The Good

The Strength of ESI

- Employer-Sponsored Insurance (ESI) is the backbone of the nation's system
 - It covers roughly 180 Million Americans
- ESI is a powerful retention tool & highly valued benefit
 - 55% of people named health insurance as “the most important benefit in terms of their job satisfaction”
 - 86% of those with ESI are satisfied with their insurance

According to the American Community Survey (ACS) and the Current Population Survey Annual Social and Economic Supplement (CPS ASEC), between 178.9 million and 183 million U.S. residents received health insurance through an employer in 2019.

<https://clutch.co/hr/resources/employers-should-offer-health-insurance-employee-benefits>

What We Can Expect: The Bad

The Consequences of Medicare Buy-In

- Impact to ESI will depend on which employees switch to Medicare Buy-In
- The choice to switch will depend on whether:
 - ESI or Medicare Buy-In is more generous; and/or
 - ESI or Medicare Buy-in is more costly
- Sicker individuals will choose:
 - More robust health coverage and benefits
 - Financial protection against high-utilization
- Different scenarios = same eventual outcome
 - If ESI is more generous – Sick will stay
 - If Medicare Buy-In is more generous – Sick will leave
 - Either way \$\$\$

What Supporters Have Wrong: The Ugly Downward Spiral on Coverage & Quality

- Incorrect Hypothesis:
 - ~~Medicare Buy-In will pull my older workers to another source of coverage and improve my risk pool.~~
- In Fact:
 - Healthy will migrate (worsen risk pool)
 - Sick will stay (premiums will increase)
 - More in program that under-reimburses providers (cost-shifting will increase)
- Employers may be forced to devalue ESI
 - If ESI is more generous, risk pools will worsen

No Good Reason to Risk It?

Priorities are Not Accomplished

- Expand Coverage – Not!
 - Only 8% of the 60-to-64 age cohort is currently uninsured.
 - The number of uninsured individuals would decrease only 0.2%
 - 90% of Medicare beneficiaries obtain supplemental coverage
- Contain Costs – Not!
 - Will increase premiums by 10%
- Increase Choice – NOT!

Thank You

Katie Mahoney
Vice President, Health Policy
U.S. Chamber of Commerce

Q&A



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