

By Tricia Neuman and John Rother, **Guest Editors**

# Medicare at 50: Lessons and Challenges

An analyst and an advocate reflect upon the birth and evolution of Medicare, and parse its ongoing and future challenges.

**W**e are honored to introduce this special issue of *Generations* devoted to the 50th anniversary of Medicare. For the past fifty years, Medicare, along with Social Security, has helped to ensure a measure of financial security and access to needed care for almost all Americans in their later years. As Guest Editors of this issue, our goal in assembling this collection of essays and articles is to tell the story of Medicare from a variety of perspectives, to illustrate what the program has accomplished, and to speak to the major challenges and opportunities facing Medicare, looking forward.

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This issue includes recommendations from an extraordinary group of thought leaders, policy advisors, researchers, healthcare practitioners, and advocates, many of whom have devoted their professional years to Medicare and other issues that affect the lives of older Americans. Notably, every single person we asked to contribute was eager to do so. The scope of issues addressed is

quite broad, illustrating the multidimensional role Medicare now plays in our healthcare system—in the practices of doctors, nurses, hospitals, and other providers—and in the lives of the 55 million Americans it now covers.

We each are longtime students of Medicare policy—as an analyst (Tricia) and an advocate (John). We were introduced to Medicare policy (and each other) many years ago when we worked together for the Senate Special Committee on Aging. We both saw Medicare in the larger context of an aging America, and as a foundation for addressing difficult but important questions:

What could government do to help secure health and economic security for retirees? What policies could improve the circumstances of older Americans, particularly those who are most disadvantaged, such as people living on very low incomes, or with significant frailties

and disabling conditions, or who face barriers to care because of their race or ethnicity? How could our healthcare system better serve America's growing number of older people, and be affordable both for them and our country?

Assembling this issue has been a reminder that Medicare was enacted in a very different environment than we live in today—from the

perspectives of politics, budget pressures, and medical care. The launch of the Medicare program was the culmination of decades of efforts to establish some form of national health insurance. Its advocates thought Medicare would be the first step toward achieving a broader set of goals to provide health coverage to all, not just to older Americans. It was enacted in the midst of the Civil Rights revolution—a turbulent time in American politics, and a time when hospitals often were segregated and it was not uncommon for black physicians to be denied admitting privileges to their communities' hospitals. Medical care looked very different fifty years ago than it does today: it was much less expensive, but also much less effective.

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Despite some providers' fairly fierce opposition to the law (mainly, the American Medical Association) prior to its enactment, the program's initial implementation was remarkably smooth. The contrast to the implementation of the Affordable Care Act (ACA) is a vivid reminder of how much more complicated and politicized healthcare has become in fifty years.

Medicare has witnessed many changes over its fifty-year history—a growing population, an explosion of providers of different types, the introduction of sophisticated medical treatments and technologies, and other dynamics that have influenced the healthcare environment. Over the years, Medicare has evolved; sometimes reacting to issues and needs as they've emerged, sometimes leading them. As the Baby Boom Generation ages, Medicare will become an even more important part of American life, and this cohort will confront the need to lead efforts to strengthen and reform our healthcare delivery system, address the epidemic of chronic conditions that now charac-

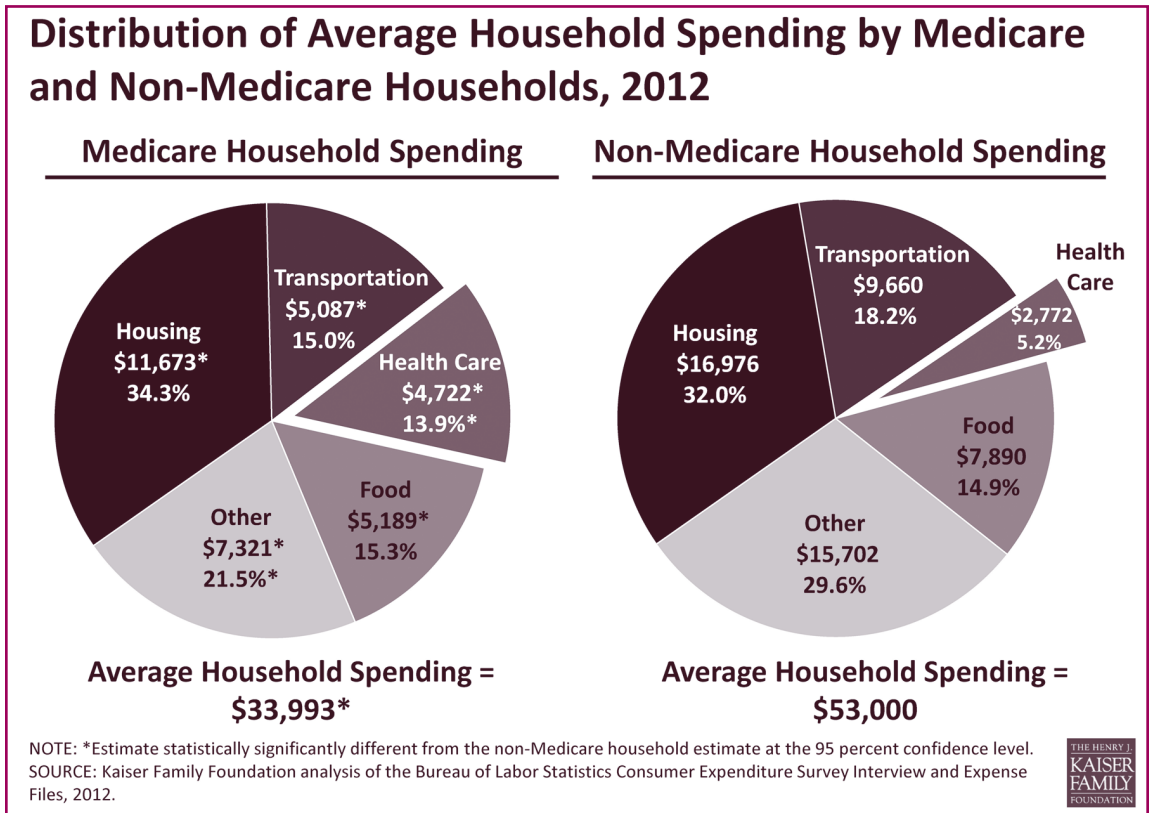
terize the need for care, and work to make the healthcare system more efficient and affordable. These goals are inherently complex and controversial, and Medicare's future role in shaping, financing, and facilitating the delivery of affordable quality care is still at issue.

Today, the Medicare population has grown and now includes 46 million people ages 65 and older and another 9 million adults younger than age 65 who qualify for Medicare because of a permanent disability. While some on Medicare enjoy good health and a comfortable retirement, many have significant health needs and frailties. Nearly half of all people on Medicare have four or more chronic conditions, nearly one-third have a cognitive/mental impairment, and about one-third are functionally impaired (Kaiser Family Foundation, 2015). Over the next few decades, the number of beneficiaries will obviously increase but, at the same time, the composition of the Medicare population will change. With more and more people living into their eighties and beyond, more will live with multiple conditions and complex needs.

As we think about the future of Medicare and draw upon the insights of the experts who have contributed to this issue of *Generations*, we see the following five major challenges that will define future debates over Medicare policy:

1. **Affordability.** Medicare covers a basic package of health services, including prescription drugs, but beneficiaries still have considerable out-of-pocket costs due to premiums (for Medicare and supplemental coverage), cost-sharing for various services, and for pricey services that are not covered by Medicare, such as dental care, eyeglasses, and long-term services and supports. Medicare still lacks an out-of-pocket cap—the most basic function of insurance protection. As a result, Medicare households spend considerably more than non-Medicare households on health expenses (see Figure 1 on page 8) (Kaiser Family Foundation, 2014).

Figure 1.



Roughly half of all people on Medicare live on an income of less than \$24,000 per person (Kaiser Family Foundation, 2014). For beneficiaries living on limited incomes, these high costs often impose a financial barrier to care. While some low-income beneficiaries get additional premium and cost-sharing assistance from Medicaid or the Medicare Savings Programs, many do not, and they are left on their own to cover the costs. In fact, low-income protections available to Medicare beneficiaries often are more limited than they are for low-income individuals under the ACA. Finding a way to make care more affordable in the context of ongoing budget concerns will be a continual challenge and source of tension.

2. **Sustainability.** Policy makers will be challenged to be vigilant in keeping spending under

control, particularly with the growing number of beneficiaries, the introduction of expensive new drugs and technologies, and other factors. In recent years, the slowdown in Medicare spending has been both impressive and unprecedented. Medicare per capita spending has remained remarkable flat since 2010 (White, Cubanski, and Neuman, 2014) and, in 2014, was \$1,200 less *per beneficiary* than the Congressional Budget Office projected in 2010 (Neuman and Cubanski, 2014). But few expect the slowdown to continue forever, and Medicare and other health programs will compete with other needs and spending priorities.

Interestingly, Princeton health economist Uwe Reinhardt has noted that economic growth in the broader economy should make it possible to accommodate a larger Medicare program, even if it takes a higher percentage

of the GNP to pay for it (Reinhardt, 2015). This view, however, is not universally accepted. Fortunately, the slowdown gives policy makers some time to think carefully about options to sustain Medicare for the future.

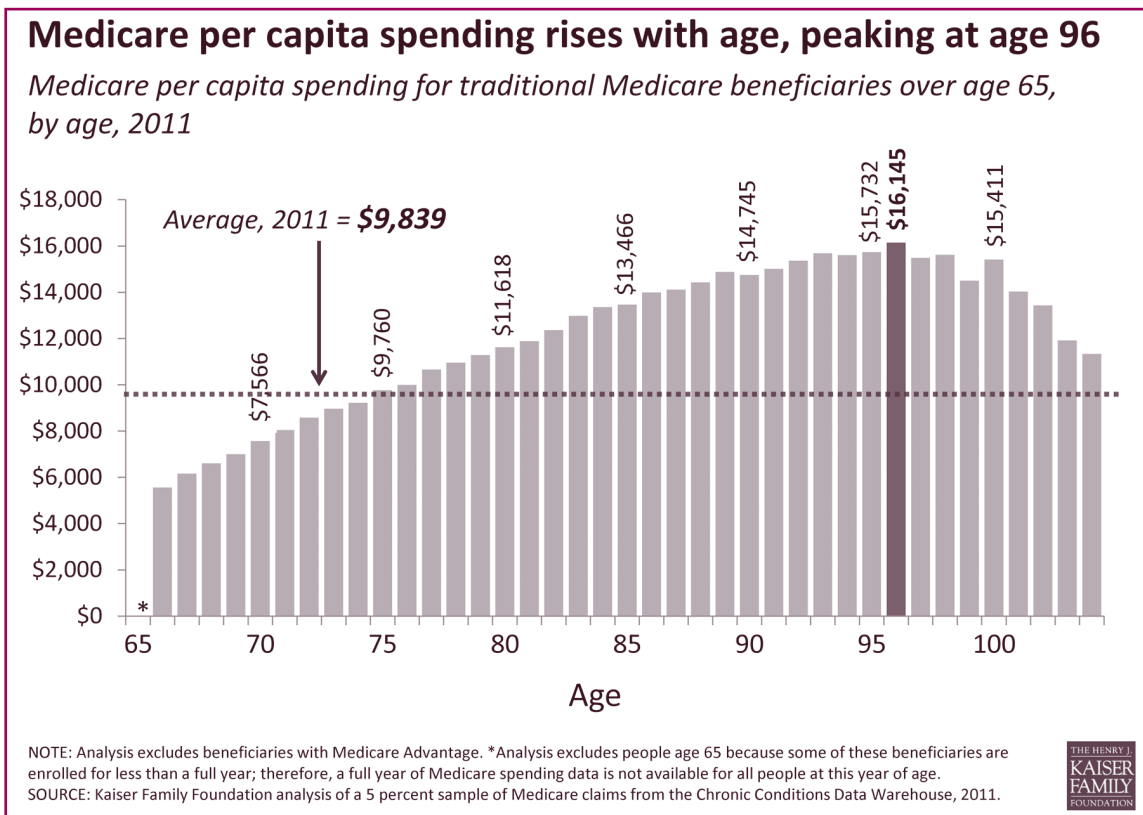
3. **Financing.** Even with the slowdown in Medicare spending per person, there is simply no way to accommodate the millions of baby boomers aging into the program without finding additional funds to help pay for their care. If per person costs are held in line with the growth of the economy (a very ambitious goal), the sheer number of beneficiaries will require an infusion of revenues to maintain the current program—unless the country is willing to make fairly draconian decisions to cut benefits, cut payments to providers or plans, or limit eligibility. Given Medicare’s popularity, the important role it plays in

helping with retirees’ financial security, and the political risks inherent in these choices, revenue options may get more serious consideration in the future.

4. **Chronic care.** Clearly, among the great challenges facing Medicare and the nation is doing more to prevent the onset of chronic disease and finding better ways to address the needs of high-cost patients who have multiple chronic conditions. Today, 10 percent of the Medicare population accounts for 58 percent of spending (Kaiser Family Foundation, 2015). As beneficiaries live longer, they are more likely to have multiple chronic diseases and comorbidities, adding to the complexity of their care and associated costs (See Figure 2, below) (Neuman et al., 2015).

These trends have broad implications for medical training, team-based care, patient


**Figure 2.**



engagement, caregiver supports, and end-of-life care. The Centers for Medicare and Medicaid Services has launched a number of payment and delivery system reforms to do more for people with chronic conditions and other significant medical needs. A greater focus on disease prevention, screenings, and other public health measures at all ages would help to address the root causes of many chronic conditions, and minimize the burden of disease on older adults as they age. Providing better care for patients toward the end of life is a persistent challenge, raising important ethical issues to be considered and addressed.

5. **Social insurance.** Universal earned-benefit programs like Medicare and Social Security play an important role in mitigating inequalities. The growing gap between the “haves” and “have-nots” among the working population, along with increasing political polarization around entitlements, may put this situation into the spotlight, specifically as to

whether universal social insurance—and the principle of including everyone—will survive the ongoing entitlement debate.

The following essays and articles touch on all of these challenges, and more. We hope this special issue of *Generations* contributes to a greater appreciation and understanding of Medicare, its past, and its promise. There is no other public program that faces such a wide range of challenges, yet is so central to the well-being, financial security, and quality of life of almost every American. The next fifty years will be a true test of our collective ability to honor the commitments made so auspiciously in 1965. 

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