Part D Reduced Spending on Medical Care

BY NASEEM S. MILLER

FROM JAMA

Medicare Part D coverage significantly reduced nondrug medical spending for beneficiaries who had limited drug coverage prior to the start of the federal prescription drug plan, Harvard Medical School researchers reported in JAMA.

The 10.6% savings was mostly due to a decrease in spending on acute and postacute care under Medicare Part A (JAMA 2011;306:402-9).

"These reductions in nondrug medical spending suggest that Part D has not cost as much as what we initially thought," Dr. J. Michael McWilliams, the study's lead author, said in an interview.

The findings could also lend support to the Affordable Care Act's goal of closing the "doughnut hole," the gap in drug coverage under Part D, he added. "The cost of closing the doughnut hole could be less than what we might expect because of these partially offsetting reductions in spending on nondrug medical care."

The results also highlight a need for better coordination between all parts of Medicare, the investigators wrote.

"Even though Part D plans function completely separately from Part A and Part B of the Medicare program, and even though they have no financial incentive to lower copayments, particularly for beneficial medications, clearly providing this benefit to seniors through stand-alone Part D plans has been quite effective," Dr. McWilliams said.

The authors used data from the Health and Retirement Study and linked it to Medicare claims data from 2004 to 2007 on 6,001 beneficiaries, then categorized the beneficiaries as having had generous (2,538) and limited (3,463) drug coverage prior to implementation of Part D. Nontraditional Medicare beneficiaries, such as those who qualified for Medicare before age 65 or those with veterans' health benefits, were excluded.

For the control cohort, they selected a similar group of 5,988 beneficiaries who had generous (2,537) and limited (3,451) drug coverage in 2002. They studied the group up to 2005.

The investigators found that total nondrug medical spending before Part D implementation was not significantly higher for beneficiaries with limited drug coverage compared with those who had generous drug coverage (7.6% relative difference).

However, after implementation of Part D, nondrug medical spending for beneficiaries who previously had limited drug coverage was 3.9% lower than for those who previously had generous drug coverage, leading to a significant differential reduction of 10.6%.

In dollars, Medicare spent nearly $306 per quarter less than expected on beneficiaries who previously had a limited drug coverage.

"The economic and clinical benefits suggested by these reductions may be enhanced by further expansions in prescription drug coverage for seniors, improvements in benefit designs for drug-sensitive conditions, and policies that integrate Medicare payment and delivery systems across drug and nondrug services," Dr. McWilliams and his coauthors wrote. ■

VITALS

Major Finding: Medicare Part D reduced nondrug medical spending for beneficiaries who had limited drug coverage prior to enrolling in the federal prescription drug plan by 10.6%.

Data Source: Data from the Health and Retirement Study survey linked with Medicare claims from 2004 to 2007.

Disclosures: The authors had no conflicts of interest to disclose. The study was supported by grants from several charitable foundations.

Insurance Exchanges May Draw Sicker Individuals Into System

BY M. ALEXANDER OTTO

FROM THE ANNUAL RESEARCH MEETING OF ACADEMYHEALTH

SEATTLE – State health insurance exchanges, being designed for 2014 implementation under the Patient Protection and Affordable Care Act, will bring an influx of older, chronically ill people into the medical system, among others, according to Kaiser Family Foundation projections.

VITALS

Major Finding: Almost 40% of projected health insurance exchange enrollees will have gone without a checkup for at least 2 years, and have no usual source of care.

Data Source: Kaiser Family Foundation projections.

Disclosures: Mr. Damico said he had no relevant financial disclosures.

Of the 24 million people the Congressional Budget Office estimates will purchase coverage through exchanges by 2019, Kaiser predicts almost 40% will have gone without a checkup for at least 2 years, and have no usual source of care. About 30% will have had no interaction with the health care system for at least a year.

Projected enrollees are also likely to be in poorer health than other insurance populations, but have fewer chronic diagnoses. "It's quite possible the future exchange population is going to have pent-up medical needs," said Anthony Damico, a foundation analyst and one of the authors of the report.

The Affordable Care Act calls for health insurance exchanges in all states by January 2014, to help people and small employers purchase insurance. People with incomes between 138% and 400% of the federal poverty level will get subsidies in the form of tax credits to help them afford coverage.

Kaiser's projections, based on the 2007 Medical Expenditure Panel Survey, attempt to define what the exchange population will look like in 2019. "We thought it would be of value to [learn] more about some of the characteristics of who this population is likely to be," to help planners decide how exchanges should be structured, among other reasons, Mr. Damico said at the meeting.

The projections also give clinicians an idea of what to expect as the exchanges roll out. A key priority "will be getting [enrollees] set up with primary care physicians. It's [also] going to be important to get [enrollees] diagnosed quickly," he said, and monitor whether individuals in the exchanges continue to have difficulty getting care.

About 13% of the adults that Kaiser expects to enroll in exchanges report fair or poor health, a significantly greater share than what current privately insured individuals report.

Kaiser predicts that adult enrollees will be about age 40 years on average and will have median incomes of about 235% of the federal poverty level. Just over half are likely to be male, about half will be married, and perhaps almost a quarter will be unemployed. The foundation also predicts that about 40% will be minorities, 15% will be children, and almost a quarter will speak a language other than English at home.

In all, "the projected 2019 exchange population is relatively older, less educated, lower income, and more racially diverse than current privately insured populations," the report noted. And they will be in worse health.

Kaiser estimated that 65% of those entering exchanges will have been previously uninsured. Most of the rest will have lost employer-based insurance, switched from employer-based coverage, or lost Medicaid coverage because of new income-based requirements that limit eligibility to those at or below 138% of the federal poverty level.

Average annual medical costs for exchange adults will range between $3,139 and $3,568, in 2007 dollars, an amount that's in line with expenditures for adults in employer-sponsored insurance plans, according to the report. ■

Appeals Court Upholds Individual Mandate For Health Reform

In the first appeals court ruling on the Affordable Care Act, a three-judge panel of the 6th U.S. Circuit Court of Appeals ruled that the individual mandate requirement is constitutional.

The three judges – two Democratic appointees and one Republican appointee – said that requiring individuals to buy health insurance or face a penalty is legitimate and a "valid exercise of Congress's authority under the Commerce Clause."

"The provision regulates active participation in the health care market, and in any case, the Constitution imposes no categorical bar on regulating inactivity," the judges concluded in their opinion.

Judge James Graham dissented somewhat from the majority, stating that he was concerned that if Congress was allowed to use its power to levy the mandate, there might not be any limit to that ability in the future.

Challenges to the individual mandate have asserted that Congress does not have the ability to regulate inactivity, that is, the choice to not buy insurance. They also have argued that if Congress can order someone to purchase insurance, it could require Americans to do other things.

The plaintiffs in the 6th Circuit case had appealed a lower court ruling upholding the constitutionality of the individual mandate. Those plaintiffs – the Thomas More Law Center, a public interest law firm in Ann Arbor, Mich., and three individuals – presented oral arguments to the 6th Circuit on June 1, as did the Department of Justice (DOJ), as the defendant.

In a statement issued after the ruling, DOJ spokeswoman Tracy Schmaler said the government welcomed the judges' opinion. "We will continue to vigorously defend the health care reform statute in any litigation challenging it," she said.

Ron Pollack, executive director of the advocacy group Families USA, also praised the ruling. "The court – made up of judges appointed by both Republican and Democratic presidents – recognized that health care makes up a substantial portion of the national economy and that Congress has the power to regulate that market," he said in a statement.

Opinions from those other appellate courts – the 4th U.S. Circuit in Richmond, Va., and the 11th U.S. Circuit in Atlanta – are expected soon.

–Alicia Ault