

WAYS & MEANS HEALTH SUBCOMMITTEE HEARING
on
THE 2007 MEDICARE TRUSTEES REPORT
APRIL 25, 2007

These are the answers for the record to be inserted into the transcript for this hearing:

MR. STARK – If the Advantage rates had been equalized, do you know whether or not we would have hit the 45 percent trigger in the past 2 years? [been under the 45 percent within the 7 years?]

INSERT: Page 21, line 469

MR. FOSTER – We estimate that if the Medicare Advantage payment benchmarks were set equal to the average fee-for-service cost in each area, then the difference between Medicare expenditures and dedicated revenues would reach 45 percent of expenditures 1 year later than under current law. In this scenario, the threshold would be crossed in 2014, rather than in 2013 as currently projected. Because this would be the eighth year of the Trustees' projection, then a finding of "excess general revenue Medicare funding" would not be made.

A similar result would have occurred with last year's Trustees Report under this scenario. The lower MA payments would have reduced overall Medicare costs without reducing dedicated revenues proportionately (since the largest source of such revenues, HI payroll taxes, would not have been affected). Thus, these changes would have somewhat reduced the portion of costs met through general revenues, thereby delaying when the 45-percent threshold would be reached by about 1 year.

MR. STARK – You mentioned in the Part D that the costs were about 13 percent below the estimate. Can you tell me what—how much of that reduction, or cost savings, maybe it is figured in, would come because there was lower enrollment than was anticipated?

INSERT: Page 23, line 493

MR. FOSTER – In the 2007 Trustees Report, total incurred Part D expenditures for calendar years 2006 through 2015 are estimated to be 12.8 percent lower than the corresponding amount from last year's report. Of this total reduction, 4.6 percentage points are attributable to lower actual enrollment. The remainder of the total reduction, 8.6 percentage points, is due to other, non-enrollment factors—principally the actual 2007 plan bids that came in at 10 percent below the 2006 bids, on average. Please note that these factors are multiplicative, rather than additive, that is, $(1 - 0.128) = (1 - 0.046) \times (1 - 0.086)$.

Subsequent to the development of the Part D estimates for last year's Trustees Report, we obtained improved data on the number of Medicare beneficiaries with drug coverage through other sources. The principal reason for the lower-than-expected Part D enrollment was that

significantly more beneficiaries had existing drug coverage through Federal employers (for example, the Federal Employees Health Benefit Program) than we had previously thought.

MR. DOGGETT – [Context--As far as the group that is not automatically enrolled, but entitled to extra help, people that are not in Medicaid, are the number that have participated—how do they compare with the number that you estimated in your actuarial estimates originally?] Of the 13 million, did you estimate originally how many you thought would take advantage of the program, would actually be enrolled?

INSERT: Page 33, line 724

MR. FOSTER – In our original estimates for Part D, we had projected that roughly 14.4 million beneficiaries would be eligible for the low-income subsidy in 2006. Of those eligible, we estimated that 10.9 million would be auto- or self-enrolled for the extra assistance. Actual LIS enrollment during 2006 grew from about 9.2 million at the end of the open enrollment period to 9.5 million by the end of the year.

With the availability of improved data on beneficiary assets, we revised our estimate of the number of beneficiaries eligible for the low-income subsidy to 13.2 million. It should be noted that the estimate of the number of LIS-eligible beneficiaries continues to be based on survey data and remains fairly rough. (Survey respondents often understate their income and asset levels. While adjustments have been made to compensate for such understatement, they are necessarily imprecise.) Thus, the actual number of individuals eligible for the extra Part D assistance may be somewhat different than our estimate.

MR. ENGLISH – Mr. Foster, this year, the trustees report significantly lowered their expenditure projections for Part D. I think you have testified that they are 13 percent lower than last year. How much lower is the 2008 estimate of Part D cost as compared to the original estimate in 2003?

INSERT: Page 38, line 834

MR. FOSTER – Our original estimate for the net total Medicare cost for Part D was \$634 billion in fiscal years 2004 through 2013. Our current estimate, based on the 2007 Trustees Report, is \$465 billion for the same period, or 27 percent lower. (These figures represent the net cost to Medicare and do not reflect the related Federal savings from reduced Medicaid expenditures, which we no longer estimate.)

MR. THOMPSON – What portion of the decrease in Part D expenditures is due to a lower-than-expected enrollment? And if that is the case, how many of those are low-income, subsidy-eligible individuals, your lack of data notwithstanding?

INSERT: Page 49, line 1092

MR. FOSTER – About 4.6 percent of the reduction in projected Part D expenditures during calendar years 2006-2015, from the 2006 Trustees Report to the 2007 Trustees Report, was due

to lower actual enrollment by Medicare beneficiaries. A little over half of this impact (2.5 percentage points) was attributable to lower actual enrollment by beneficiaries qualifying for the low-income subsidy. The remainder, (2.1 percentage points) was attributable to lower non-LIS enrollment. As noted previously, the principal reason for the lower-than-expected enrollment was that significantly more Medicare beneficiaries had existing drug coverage through Federal employers (for example, the Federal Employees Health Benefit Program) than we had previously thought.