

The Medicare Buy-In being discussed in the US Senate as a part of the compromise to the highly debated public option will allow uninsured individuals and individuals with private insurance between the ages of 55 and 64 to buy into Medicare. Supporters hope that this will improve affordability. Medicare has low administrative costs, a broad network of providers and typically pays providers less than does commercial insurance, but significantly more than they are now being paid (if anything) for their care to the uninsured.

How many individuals could this option help? We referred to the California Health Interview Survey (2007); in California there are an estimated 439,000 uninsured individuals between the ages of 55 and 64 and 275,000 persons with private individual insurance in the same age range out of the state's entire population of over 36 million.¹

All the plans available through the Exchange (including the Medicare Buy-In option) would be subsidized for individuals with incomes up to 400% of FPL (\$44,000 for an individual and \$88,000 for a family of four). Within the 55-64 age range in California, the subsidies through the Exchange would be available to over 80% of the uninsured and over a third of the individually insured.²

The Medicare Buy-In Option is also designed to improve affordability for those who do not qualify for subsidies who purchase through the Exchange. How many could benefit from improved affordability? Of the 439,000 uninsured in this age range, only 19% (85,000) have incomes above 400% of FPL and are not eligible for subsidies in the Exchange.³ Moreover 64% (177,000) of the 275,000 individuals with private individual insurance have incomes in excess of 400% of FPL.⁴

The Medicare Buy-In Option was earlier projected by the Congressional Budget Office (CBO) to cost \$7200 a year (or \$600 a month) for an individual in this age range.⁵ Would this improve affordability in California? We compared what individuals and families currently may pay in California's individual market.⁶ Based on premium quotes from Kaiser Permanente, California, the annual premium for the standard Copayment 25 plan costs \$6,726 per year (or \$575 a month) for a 64-year-old single (presumably healthy) individual living in the San Francisco Bay Area (a

¹ California Health Interview Survey 2007 at www.chis.ucla.edu

² Ibid.

³ Ibid.

⁴ Ibid.

⁵ N. Levey and B. Japsen, Medicare Boosts Bill's Prospects, Los Angeles Times, December 10, 2009)

⁶ The figures are not totally comparable as the CBO figure is for national average premiums while the Kaiser Permanente premiums are for the Bay Area of California with no guaranteed issue or renewal and no restrictions on age rating.

mid-range area for California premiums).⁷ The benefits in Kaiser's Co-payment 25 plan are as follows:

- No annual deductibles
- \$2,500 out-of-pocket maximum for individuals
- \$5,000 out-of-pocket maximum for families
- Primary and specialty care
- Well baby visits
- Family planning
- Eye exams
- Hearing tests
- Outpatient surgery
- Maternity benefits
- Hospitalization and emergency room visits
- Prescription drugs

Individual market premiums are currently based on the assumption that individual applicants do not have pre-existing conditions. Sicker individuals are either excluded or pay higher premiums. This will change under reform.⁸

Premiums for equivalent PPO and POS coverage are significantly higher in California's urban markets, and all premiums in rural regions of the state are much higher than in competitive urban markets.⁹ The Medicare Buy-In option would be most helpful as an option for Californians in rural regions and for those individuals buying either PPO or POS coverage in California.¹⁰

What could go wrong? Some for profit insurers could market to the healthiest lives, and individuals with the worst health profiles might choose to buy into Medicare, thus making it a bad risk dumping pool. Risk adjustment efforts would be needed to adjust for this adverse claims experience, and the impacted carriers might point the finger at government for creating the conditions promoting adverse selection in the first place.

Could this be helpful? Our answer is absolutely yes, but for a very limited subset of California's population.

Would it hurt providers? Absolutely not, they would be paid quite a bit more for a few of their uninsured patients who would choose this option and a little bit less for a few of their individually insured patients who might choose this option.

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⁷ Kaiser Permanente. Individual and Family Plans: Copayment 25. <https://kaiser.healthinsurance-asp.com/expressweb/plan/AvailablePlans.action?groupId=0"eId=0#>

⁸ Under reform, coverage will be guaranteed issue and renewal with no exclusions for pre-existing conditions.

⁹ Brooke Fox, 2006 Overview of the Uninsured: California (December 2007) at www.itup.org/reports

¹⁰ Ibid.