

Report examines Medicare and Medicaid programs at 50 years and challenges ahead

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Although Medicare and Medicaid are playing a role in health care payment and delivery reform innovation, it will be difficult to enact large-scale program changes because of the conflicting priorities of beneficiaries, health practitioners and organizations, and policy makers, according to an article in the July 28 issue of *JAMA*, a theme issue on Medicare and Medicaid at 50.

Medicare and Medicaid are the nation's two largest public [health insurance](#) programs, serving the elderly, those with disabilities, and mostly lower-income populations. Drew Altman, Ph.D., of the Kaiser Family Foundation, Menlo Park, Calif., and William H. Frist, M.D., former U.S. Senate majority leader, analyzed the roles of Medicare and Medicaid in the health system using publicly available data and private surveys of the public and beneficiaries.

Together, Medicare (n = 55 million) and Medicaid (n = 66 million) provide health coverage to about 111 million people, or 1 in 3 Americans, including 10 million dual-eligible people covered by both programs. That number is projected to reach 139 million people by 2025. The programs accounted for approximately \$1 trillion in total spending in 2013 (Medicare, \$585.7 billion; Medicaid, \$449.4 billion). Together, they constitute 39 percent of national health spending, account for 23 percent of the federal budget, and generate 43 percent of hospital revenues.

Spending on the two programs for 2013 to 2023 is projected to increase

at an average rate of 3.7 percent per year, which is slower than the projected growth for [private health insurance](#), despite that Medicare and Medicaid generally serve populations with more illness and health problems.

The authors note that future issues confronting both programs include whether they will remain open-ended entitlements, the degree to which the programs may be privatized, the scope of their cost-sharing structures for beneficiaries, and the roles the programs will play in payment and delivery reform.

"While public attention has focused on the Affordable Care Act (ACA), Medicare and Medicaid remain the core of the nation's public health insurance system. Together these programs serve more than a hundred million of the nation's most vulnerable people—low-income children and adults, people with disabilities, and older persons. Because beneficiaries, health practitioners and organizations, and policy makers all have different interests in these programs, it is difficult to reconcile their conflicting perspectives and priorities and enact large-scale program changes. Few policies can simultaneously constrain spending, improve reimbursement rates, and protect and strengthen benefits. Reaching bipartisan agreement on policy change is especially challenging in the current polarized political environment."

The authors add that both Medicare and Medicaid are changing their roles in the health care system to become more proactive forces for payment and delivery reform. "The goal of moving 90 percent of traditional Medicare reimbursements to alternative value-based payment arrangements by 2016 signals a new effort to use Medicare's purchasing power to promote quality and reform the delivery of care. While it gets less attention, payment and delivery reform in Medicaid is also under way in virtually every state. Medicaid programs have also been increasingly aggressive purchasers of drugs."

Together, Medicare and Medicaid have more than \$1 trillion a year in purchasing power, "and they are now pursuing common strategies in the form of accountable care organizations, medical homes, managed care for chronically ill persons, and a variety of value-based payment options."

"The private sector is generally regarded as the engine of innovation in the United States, but on the 50th anniversary of Medicare and Medicaid, [health](#) care's 2 largest [public health insurance](#) programs are playing a much larger role in innovation in payment and delivery reform and reshaping the delivery of care for the future."

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