

Opening Medicare to Americans aged 50 to 64 would cut their insurance costs

November 18 2019



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Opening Medicare to Americans aged 50 to 64 would lower health care premiums for the group, but also drive up costs for younger people who buy health insurance on exchanges created under the federal Affordable

Care Act, according to a new RAND Corporation study.

Under most scenarios examined, the study estimates that the premium to buy into Medicare would be about \$10,000 per year in 2022. For many potential enrollees, this amount is a good deal compared to the ACA-compliant individual insurance market, in which [older adults](#) are charged up to three times as much as younger adults.

While older exchange enrollees currently pay higher premiums, the analysis finds that, as a group, their care is less expensive relative to their high premiums. Younger people in the exchange tend to be less healthy and their care is more expensive than the premiums they pay.

As a result, the analysis finds that enabling adults aged 50 to 64 to move to Medicare could increase premiums for those remaining in the individual health insurance market by between 3% and 9%.

"Our findings suggest that Medicare buy-in could offer significantly more-affordable health care coverage to older adults, while potentially leading to higher premiums for the pool of people remaining on the individual market," said Christine Eibner, the study's lead author and the Paul O'Neill Alcoa Chair in Policy Analysis at RAND, a nonprofit research organization.

For a typical 50-year-old, buying into Medicare would cost about \$2,500 less than buying a gold-level plan on the insurance exchanges, but be about \$500 more than a bronze-level plan. Medicare offers significantly better coverage than bronze-level insurance plans, but unlike exchange plans, it does not have a maximum limit on the total amount of out-of-pocket spending a beneficiary might have to pay.

For a typical 60-year-old, the savings would be greater. For this group, buying into Medicare would cost about \$8,000 less per year as compared

to a gold-level plan on the insurance exchanges and \$3,700 less than buying a bronze-level plan.

The analysis finds that opening Medicare to Americans aged 50 to 64 would not substantially change the number of Americans with health insurance. While such a move likely would increase the number of Americans aged 50 to 64 who have [health insurance](#), the [higher costs](#) on insurance exchanges is likely to mean that fewer younger Americans would buy coverage.

Under all the scenarios studied, a Medicare buy-in for Americans aged 50 to 64 would have no effect on the Medicare Trust Fund or on outcomes for current Medicare beneficiaries.

Policymakers have long discussed allowing people under the age of 65 to buy into Medicare, primarily as a way to provide older adults with access to insurance without regard to coverage denial or preexisting condition exclusions.

Following the passage of the ACA and its requirement that coverage be offered regardless of health status, discussions about expanding Medicare eligibility have focused on creating alternative coverage options that include access to Medicare's provider payment rates, reducing premiums on the ACA's marketplaces by moving older people into a separate risk pool and increasing overall insurance enrollment.

The RAND study used a microsimulation model to estimate the effects of allowing older adults to buy into Medicare under a number of scenarios. Researchers assumed that eligible individuals can apply their marketplace advanced premium tax credits to the buy-in plan.

The study's finding that allowing 50- to 64-year-olds to buy into Medicare would drive up insurance costs for individuals in the

marketplace runs counter to conventional wisdom, which argues that older adults drive up individual market premiums because they tend to have more medical problems.

The RAND model accounts for the fact that low-cost older adults are more likely to enroll in the [insurance](#) exchanges than low-cost young adults, and these healthy older people act as a stabilizing force. The model also accounts for the fact that Medicare payment rates are lower than commercial rates, and administrative costs are lower in Medicare than in private plans.

The report was developed with the support of funding by AARP. Any opinions, findings, conclusions and recommendations are those of the authors and do not necessarily reflect the views of AARP.

More information: The report, "Medicare for 50- to 64-Year-Olds: Assessing the Effects of Allowing Older Adults to Buy Into the Medicare Program," is available at www.rand.org

Provided by RAND Corporation

Citation: Opening Medicare to Americans aged 50 to 64 would cut their insurance costs (2019, November 18) retrieved 26 April 2024 from <https://medicalxpress.com/news/2019-11-medicare-americans-aged.html>

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