Weekly Checkup

Is a Medicare Buy-In Plan Viable?

CHRISTOPHER HOLT | NOVEMBER 15, 2019

This week, AAF's Center for Health and Economy (H&E) released modeling on the cost and coverage impacts of a Medicare buy-in plan—specifically H.R. 1346, "The Medicare Buy-in and Health Care Stabilization Act of 2019." As discussed in last week's Checkup, **the popularity of Medicare for All (M4A) is declining** as its details get parsed in the Democratic presidential primary. **Simultaneously, other proposals for expanding coverage—albeit ones that have not been as closely examined—have become much more popular. According to the Kaiser Family Foundation, 77 percent of Americans have a favorable opinion of extending a Medicare buy-in option to Americans aged 50 to 64.**

But what would the reality of Medicare buy-in look like? According to our modeling, the reality wouldn't live up to the hype.

H.R. 1346, like most Medicare buy-in proposals, is more of a public option/Medicare hybrid, and the bill does far more than just create a new insurance option. H.R. 1346 makes a number of changes to the Affordable Care Act (ACA) in addition to creating a "Medicare" plan that Americans age 50 to 64 can purchase. The major ACA changes include establishing a reinsurance program to protect insurers selling plans in the ACA marketplace against especially high-cost patients, and restarting and increasing cost sharing reduction (CSR) payments to marketplace insurers.

The buy-in plan itself would be sold in the individual market; the enrollees would be charged a premium set at the average annual per capita cost for benefits and administrative expenses under Medicare Parts A, B, and D. Additionally, if an individual purchasing the buy-in plan is eligible for premium tax credits or CSR payments through the ACA exchanges, those benefits can be applied to the buy-in plan.

Altogether, **H&E finds that the number of people insured under the package of policies in H.R. 1346 would increase by about 1 million initially, relative to H&E's baseline, but that increase would drop to less than 500,000 by 2029.** Just under 300,000 people would purchase the Medicare buy-in plan in the first year, and the number of buy-in enrollees would decrease over time to less than 200,000 by 2029. **Overall, H.R. 1346 would increase federal spending by $184 billion over 10 years.** Of note, H&E found that H.R. 1346 would lead to a decrease in premiums paid for catastrophic, Bronze, Silver, and Platinum marketplace plans of between 4 and 12 percent. That drop in premiums, however, is most directly the result of the reinsurance program, and not the Medicare buy-in plan. Additionally, premiums for the Medicare buy-in plan are expected to grow faster then marketplace plans of a similar actuarial value.

What do all of these figures mean? **This Medicare buy-in proposal would spend $186 billion over 10 years to reduce the uninsured population ultimately by less than 500,000, or 0.2 percent, with the introduction of the Medicare buy-in contributing little.** To put it another way, H&E projects that under current law about 29 million Americans will be uninsured at some point in 2020, but under H.R. 1346, after spending $186 billion, the country will still have roughly 33 million Americans uninsured for at least part of 2029.

Medicare buy-in is an increasingly attractive policy option for politicians. After all, it doesn't take away private insurance, any impacts to the individual market would likely be positive, and it can be framed as a

choice. **But what H&E's modeling has found is that Medicare buy-in would spend a lot of money to do very little.** Medicare buy-in is fools gold: It won't do much to address the uninsured, but it will increase federal spending.

CHART REVIEW

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Many of the Medicare buy-in bills written in the last year and a half include far more than the introduction of a public option offered through the Affordable Care Act's (ACA) exchanges. Consider H.R. 1346, "The Medicare Buy-in and Health Care Stabilization Act of 2019": This bill allows individuals aged 50 to 64 to buy into Medicare using ACA premium tax credits and cost-sharing reduction subsidies (if they qualify), while also providing new funding for reinsurance. The AAF Center for Health and Economy's plan-choice model found that H.R. 1346's funding for reinsurance and increased cost-sharing reduction subsidies make up the bulk of its projected $184 billion of increased spending. Despite this increase in spending, net enrollment is only projected to increase by 500,000 by the year 2029, reducing the uninsured rate by 0.2 percent.