



# pulse

## Out-of-Pocket Costs Catching up with Medicare Beneficiaries

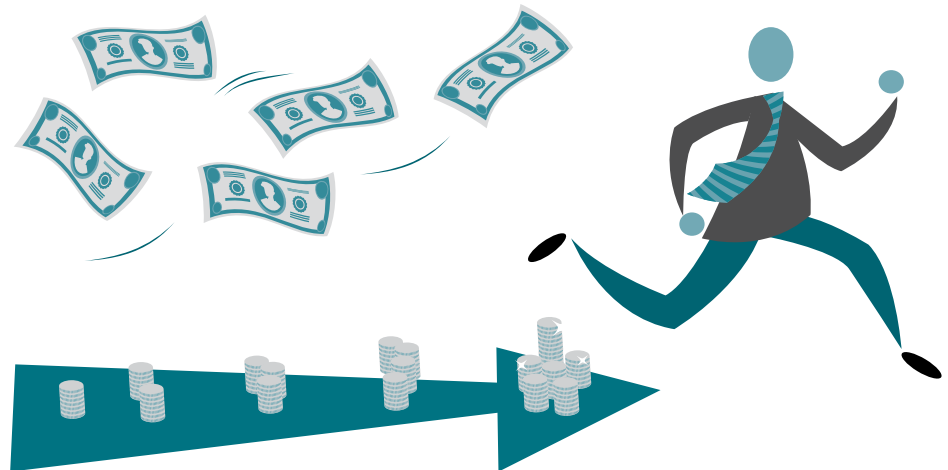
Medicare beneficiaries are facing higher out-of-pocket costs that amount to a “substantial” share of their income, according to an issue brief from The Commonwealth Fund, “Medicare Beneficiaries’ High Out-of-Pocket Costs: Cost Burdens by Income and Health Status.”

There are 56 million people, or 17 percent of the U.S. population, who rely on Medicare, according to the report. By 2024, one-fifth of the population will have Medicare coverage. The benefits exclude dental, vision, hearing and long-term services coverage, and there is no limit on out-of-pocket costs for the covered services, it states.

As more consumers become eligible for Medicare, The Commonwealth Fund reports they will find the need to supplement their coverage, “since the program has relatively high cost-sharing and no limit on patient liability for covered benefits.”

Research on beneficiaries’ financial burdens for the brief is based on the 2012 Medicare Current Beneficiary Survey, with 11,299 responses and population and spending data projected to 2016. The respondents shared their experiences with access to care, medical services and spending activity, including costs for services not covered by Medicare.

Overall, the survey shows beneficiaries spent an average of \$3,024 in out-of-pocket costs each year, according to the



report. Findings also include that 15 million Medicare beneficiaries spent 20 percent or more of their income on healthcare premiums plus medical care, including cost-sharing and services that are not covered, it states.

Medicare beneficiaries also face costs from a separate private plan for prescription drugs.

“If they want to buy private Medigap supplemental coverage for cost-sharing, they incur significant additional premiums,” according to the report. “Even after they pay for supplemental drug and Medigap plans, beneficiaries face the cost of dental, hearing, vision, and long-term services—all excluded from Medicare. For beneficiaries with multiple illnesses or serious functional limitations, out-of-pocket costs can easily add up to thousands of dollars per year.”

Findings on costs for Medicare beneficiaries also include:

- Hospitalization costs for beneficiaries are \$1,300 and they pay 20 percent of bills for physician care.
- They also pay a \$1,600 annual premium for Medicare Part B medical services.
- Annual Medigap, the supplemental coverage for Medicare cost sharing, premiums are \$2,000 per beneficiary, but can be significantly higher in some states. “Medigap has notably high overhead costs: administrative costs and profits absorb 20 percent of premiums on average.”
- Private Medicare Advantage plans are available for beneficiaries interested in opting out of traditional Medicare plans. While those plans have

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POLL:

## Consumers Expect Higher Costs Under American Health Care Act

Since the U.S. House of Representatives approved the American Health Care Act (AHCA) on May 4 and the U.S. Senate, at press time, continued to review the plan, consumers overall say they have an “unfavorable” view of the legislation and are pessimistic about its impact on their healthcare costs and quality of care, according to the Henry J. Kaiser Family Foundation Health Tracking Poll.

Fifty-five percent of respondents to the poll said they have an unfavorable view of the AHCA and 31 percent said they have a favorable view of the plan to repeal and replace the Affordable Care Act, according to a news release from the Kaiser Family Foundation.

“There is also a considerable enthusiasm gap with a larger share saying that they have a ‘very unfavorable’ view (40 percent) than saying they have a ‘very favorable’ view (12 percent),” it states.

Consumers are more pessimistic about the healthcare plan now compared

to in December, after the elections, but before the proposal in the 115th Congress was introduced.

Forty-five percent of respondents to the poll in May said the AHCA would result in higher healthcare costs compared to 28 percent who provided that response in December.

“In addition, a third now expect their ability to get and keep health insurance and the quality of their healthcare to get worse under the pending bill, compared to about one in five that said so in December,” according to the news release.

The poll also shows that 55 percent of respondents want the U.S. Senate to make significant changes to the version of the AHCA passed in the House or not pass the legislation.

The Henry J. Kaiser Family Foundation has been following the public opinion on the Affordable Care Act since 2010. The May poll shows consumers continue to have more favorable views of

the Affordable Care Act than unfavorable, 49 percent and 42 percent, respectively.

Additional findings in the poll include:

- Thirty-one percent of consumers have favorable views of the AHCA.
- Republicans have more favorable views of the AHCA (67 percent) than of the Affordable Care Act (12 percent.) Among Democrats and independents, 48 percent have more favorable views of the Affordable Care Act than of the AHCA (30 percent.)
- However, a majority of consumers in the poll (74 percent) say it is “likely” that the president and Congress will move forward with repealing and replacing the Affordable Care Act. See a graph based on data from the poll in Data Watch.

More information:

<http://ow.ly/MMQH30cg9qk>



## HEALTHCARE BUSINESS:

# Hospital Merger Activity Continues to Increase

Hospital merger and acquisitions continue to increase, including a notable rise in transactions among large healthcare providers, according to an analysis of industry activity by Kaufman, Hall & Associates LLC.

In the first quarter of 2017, hospital and health system transactions increased 8 percent from 25 to 27 compared to the first quarter of last year, according to a news release from the firm.

“The increase follows another year of continued growth, with transactions climbing from 66 announced deals in 2010 to 102 in 2016. The overall trend illustrates that healthcare organizations across the country continue to seek new efficiencies and capabilities for a transforming industry,” it states. “The first quarter was particularly notable for an uptick in transactions among large organizations, with three announced deals targeting organizations with nearly

\$1 billion or more in revenues. 2016 saw four such deals announced in 12 months.”

Additional transactions among the larger organizations are expected.

“Hospitals and health system executives are looking for strategic opportunities to ensure the continued growth and success of their organizations amongst disruptive forces, including innovative competitors, declining payments, flat or decreasing inpatient volumes, and increasing price sensitivities among consumers,” said Anu Singh, managing director at Kaufman Hall, in the news release. “As the number of independent hospitals declines, organizations are seeking to build new capabilities and economies of scale through partnerships.”

More information:

<http://ow.ly/1JmB30cc6DY>

## Out-of-Pocket Costs *cont. from page 1*

lower cost-sharing in general, it has increased significantly in recent years.

Overall, the report shows that 5.4 million beneficiaries with only Medicare and no supplemental coverage are subject to higher healthcare costs.

“These beneficiaries spent an estimated \$5,374 on out-of-pocket costs in 2016 compared to \$2,587 for beneficiaries who received supplemental coverage from Medicaid. With incomes too high to qualify for Medicaid but too low to afford supplemental coverage, 32 percent of Medicare-only beneficiaries spent 10 percent or more of their income on health care,” according to the report.

Financial burdens and unmet needs from Medicare leave beneficiaries at risk.

As Medicare enters its sixth decade and the Baby Boom population becomes

eligible, the costs of the program will increase, likely placing it on the policy agenda,” the report concludes.

“Financial burdens and access gaps highlight the need to approach reform with caution. Already-high burdens suggest restructuring cost-sharing to ensure affordability and to provide relief for low-income beneficiaries,” the report concludes.

More information:

<http://ow.ly/iCQY30cc4m8>

# NEWS & NOTES

## Access to Care, Health, Improve under Medicaid Expansion

A *Journal of Health Affairs* study of states that expanded Medicaid under the Affordable Care Act shows declining uninsured rates and annual out-of-pocket-costs, *Fiercehealthcare* reports. For example, in Kentucky, the uninsured rate dropped to 7.4 percent in 2016 and low-income consumers in Kentucky and Arkansas saw a \$337 decline in annual costs, according to the article. <http://ow.ly/9q4f30caBqY>

## Pace of Healthcare Job Growth Continues to Slow

Healthcare job growth has slowed compared to the past two years, according to the monthly report from the Altarum Institute. There were 19,500 new healthcare jobs in April and the average for the first four months of this year is just under 20,000 jobs each month, “a considerable decrease from the 32,000 per month seen in 2015 and 2016,” according to the report.

<http://ow.ly/XHpn30ccfDP>

## The State of Hospital Employee Turnover

A “Leaders for Today” survey on hospital staff hiring and turnover shows a high rate of turnover in the industry. For example, 42.8 percent of respondents said they have worked with their current hospital for fewer than two years and 65.7 percent said it’s been fewer than five years. <http://ow.ly/cYCu30cceX0>

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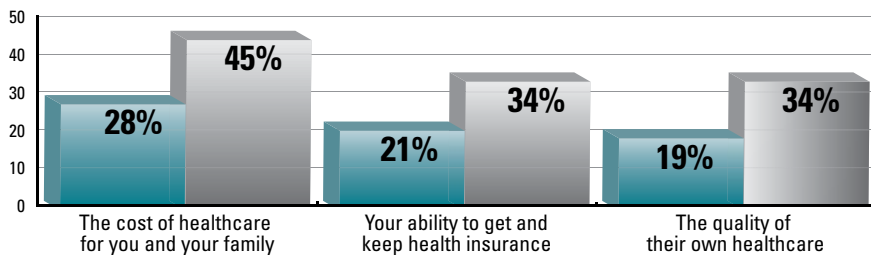


## Consumers 'Pessimistic' About Healthcare Costs

Respondents to the Henry J. Kaiser Family Foundation Health Tracking Poll in May expect higher healthcare costs under the congressional plan to repeal and replace the Affordable Care Act. Forty-five percent said "the replacement bill would result in higher healthcare costs for their family, compared to about a quarter (28 percent) who said so in December.

Percent who say each of the following would get worse...

- ...if the 2010 healthcare law is repealed (Dec 2016)
- ... if the president and Congress pass the healthcare plan currently being discussed (May 2017)



Source: Henry J. Kaiser Family Foundation Health Tracking Polls conducted Dec. 13-19, 2016 and May 16-22, 2017. <http://kaiserf.am/2s2oj6m> Altered by ACA International, based on Henry J. Kaiser Family Foundation Health Tracking Polls conducted Dec. 13-19, 2016 and May 16-22, 2017