

NEWS RELEASE
Tuesday, March 29, 2011

Raising Medicare's Age of Eligibility to 67 Would Achieve Significant Savings, But Shift Costs To 65- and 66-Year-Olds, Other Individuals, Employers and Medicaid, New Analysis Shows

Study Estimates Three in Four People Ages 65 and 66 Would Pay \$2,400 More On Average For Health Care in 2014 Than They Would If They Remained in Medicare

MENLO PARK, Calif. -- Raising Medicare's eligibility age from 65 to 67 in 2014 would generate an estimated \$7.6 billion in net savings to the federal government, but also result in an estimated net increase of \$5.6 billion in out-of-pocket costs for 65- and 66-year-olds, and \$4.5 billion in employer retiree health-care costs, according to a new Kaiser Family Foundation projection of the potential change suggested by several deficit-reduction plans.

The study also estimates that the change in Medicare eligibility would raise premiums by 3 percent for those who remain on Medicare and for those who obtain coverage through health reform's new insurance exchanges. The study assumes both full implementation of the health reform law and the higher eligibility age in 2014 in order to estimate the full effect of both the law and the policy proposal.

Among the estimated 5 million affected 65- and 66-year-olds, about three in four would pay an average of \$2,400 more for their health care in 2014 than they would have paid if covered under Medicare, the study estimates. Nearly one in four, however, are expected to have lower out-of-pocket spending, mainly due to the health reform law's coverage expansions through Medicaid and the premium tax credits available to low- and moderate-income Americans.

"Raising Medicare's age of eligibility would obviously reduce Medicare spending, but would also shift costs onto seniors and employers, and increase costs elsewhere on the federal ledger," said Kaiser Family Foundation Vice President Tricia Neuman, who leads the new Kaiser Project on Medicare's Future. "This analysis drives home the tough policy choices that lie ahead when Washington gets serious about reducing the federal deficit."

Several major deficit-reduction and entitlement reform proposals include raising Medicare's age of eligibility to 67 as a way of improving Medicare's solvency. The new Kaiser study is the first to estimate the expected effects on seniors' out-of-pocket costs and other stakeholders in light of last year's health reform law.

In the absence of the health reform law, raising Medicare's age of eligibility would result in an increase in the uninsured, according to other studies, as many older Americans would have difficulty finding affordable coverage in the individual market in the absence of Medicare.

With health reform, virtually all 65- and 66-year-olds would be expected to obtain alternative sources of coverage. According to the new analysis, 42 percent are projected to obtain coverage through employer-sponsored plans, 38 percent through plans offered through health reform's insurance exchanges, and 20 percent through the expansion of Medicaid for low-income adults.

The study projects that raising the age of Medicare eligibility to age 67 in 2014 would result in \$31.1 billion in gross Medicare savings in 2014 because Medicare would no longer be covering 65- and 66-year-olds. The gross savings are estimated to be partially offset by increases in federal spending for individuals who would be covered by Medicaid (\$8.9 billion) and for individuals receiving premium tax credits in the

exchanges (\$7.5 billion). The gross savings also would be offset by a \$7 billion reduction in Medicare premium receipts from 65- and 66-year-olds who would no longer be enrolled in the program.

In addition, the study finds that health-care costs for employers would increase by an estimated \$4.5 billion in 2014 as employer plans become the primary payer for 65- and 66-year-olds who would no longer be eligible for Medicare, rather than provide supplemental coverage that wraps around Medicare.

Other key findings from the study include:

- * Premiums for people younger than 65 purchasing coverage through health reform's insurance exchanges would rise by an estimated 3 percent as a result of adding 65- and 66-year-olds to the exchanges.

- * Similarly, Medicare Part B premiums would rise by an estimated 3 percent, as the youngest seniors are removed from the Medicare risk pool, resulting in higher per-beneficiary costs for those remaining on Medicare.

- * Costs to states would increase by an estimated \$0.7 billion overall. This reflects higher state Medicaid costs associated with 65- and 66-year-olds who would otherwise be dual eligibles (covered by both Medicare and Medicaid) and also from higher costs associated with higher Medicare premiums for remaining dual eligible beneficiaries for whom Medicaid pays the Medicare premiums. Those higher costs are offset in part by some affected beneficiaries qualifying for full federal funding under health reform's Medicaid expansion.

The study, *Raising the Age of Medicare Eligibility: A Fresh Look Following Implementation of Health Reform*, is the first in a new series of Kaiser Family Foundation studies examining the effects of proposed Medicare changes on the program's beneficiaries, the federal budget and other stakeholders, as part of the Kaiser Project on Medicare's Future.

The study is authored by researchers from the Kaiser Family Foundation and the Actuarial Research Corporation and is available online at <http://www.kff.org/medicare/8169.cfm>.

The Kaiser Family Foundation is a non-profit private operating foundation, based in Menlo Park, California, dedicated to producing and communicating the best possible analysis and information on health issues.

###

CONTACTS:

Craig Palosky, (202) 347-5270, cpalosky@kff.org Rakesh Singh, (650) 854-9400, rsingh@kff.org