What is Medicare?

- Medicare is a federal health insurance program that covers 49 million Americans— one in six—including 2.35 million Pennsylvanians.¹

- Medicare covers individuals aged 65 and older, without regard to income or medical history, and people under 65 with disabilities, as well as patients with end-stage renal (kidney) disease (ESRD).

- Medicare enrollment is handled by the Social Security Administration (SSA). Unlike Medical Assistance, Medicare is not based on income or assets.

Medicare Coverage in Pennsylvania

- Pennsylvania is one of the oldest states in the union (ranked 3rd), with 17 percent of the state’s population over the age of 65, as compared to the U.S. at 15 percent.¹

- In Pennsylvania, 18 percent of the state’s population are Medicare beneficiaries, the 3rd highest percent among states.¹

- The percentage of the Pennsylvania Medicare population enrolled in managed care (40%) is significantly higher than nationally (31%).³ In fact, Pennsylvania has the 5th highest number of Medicare Advantage (managed care) enrollees in the nation at more than 900,000, behind California, Florida, New York, and Texas.³

- In Pennsylvania, 82 percent of Medicare beneficiaries are aged, while the remaining 18 percent are persons with disabilities.¹

- Pennsylvania’s senior population (age 65+) is predicted to grow more than 47% by 2030, from 1.9 million (2010) to well over an estimated 2.8 million. Nationwide, the predicted growth in the 65+ population is even more staggering, from 40 million (2010) to over 71 million in 2030 (77% increase).⁴

Medicare Payments and Hospital Services

- Medicare benefit payments accounted for 22 percent of total spending for personal health services in the U.S. during 2013², and 14 percent of the federal budget.²

- Medicare financed 26 percent of the nation’s spending on hospital care and 22 percent of spending on physician services during 2013.²

- In 2014, Medicare accounted for 34 percent of Pennsylvania’s hospitals’ payments.³
Decreased Medicare Payments to Hospitals Threatens Access to Care

Pennsylvania hospitals and health systems are a vital part of their communities—and yet, there is a critical and worsening imbalance between the demands being placed upon the hospital system and the resources available to meet those demands. The ability of hospitals to provide services to Medicare patients is threatened by continued federal payment decreases.

The Medicare program pays at less than the cost for patient care. Given the economic and social pressures faced by hospitals that serve as the nation’s health care safety net, and given that Medicare and Medicaid pay hospitals less than the cost of providing services, hospitals and health systems are concerned about reducing federal payments and additional policies that affect the work hospitals do for their communities.

Additionally, hospitals have been impacted by the 2 percent Medicare sequestration cut originally imposed by the Budget Control Act (BCA) (P.L. 112-25) and subsequently extended. In Pennsylvania, the impact of sequestration payment cuts to hospitals is $165 million in 2016, and $1.8 billion through 2024. The extension of Medicare cuts in order to address immediate budget shortfalls or fund other programs is shortsighted and will undermine the Medicare system.

What Needs to Be Done?

The hospital and health system community continues to focus on ensuring that hospitals have the necessary resources to provide high-quality care and meet the needs of their communities in a changing health care delivery system.

- Ensure adequate and stable Medicare payments to hospitals and physicians which reflect the unique costs and capacities of different sites of service.
- Provide targeted assistance and craft appropriate policies to support care for vulnerable patient populations and in small and rural communities.
- Support the investment in training tomorrow’s health care workforce through Graduate Medical Education funding and workforce training programs.
- Promote innovations in the delivery of care through transformation initiatives and investments in new technology that promote more efficient and effective care.
- Pursue fundamental reforms to the Recovery Audit Contractors (RAC) program to address the contingency fee payment structure that rewards RACs for inappropriate payment denials.

1Kaiser State Health Facts, http://kff.org/statedata/
3PA Health Care Cost Containment Council (PHC4) Financial Analysis, Volume 1, FY2014
4U.S. Census Bureau, http://www.census.gov/population/projections/data/state/