

The High Cost to Latinos of Raising the Medicare Age

Policy Report

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Executive Summary

Raising the Medicare eligibility age to 67 could cost Latinos in the United States more than \$2.4 billion in the first full year of implementation. Such a change would increase premiums in the healthcare exchanges for those under 64, increase the average out-of-pocket costs for those 66-67 and increase Medicare premiums for those 67 and above. Overall, it could cost the average Latino nearly \$6,000 over their lifetime. While Medicaid eligibility and health exchange subsidies for low income workers could help mitigate some of the additional expense, working age Latinos are less likely than other groups to have employer-based coverage and longer life expectancies means Latinos will face the higher Medicare premiums for a longer time period than other groups.

Many of the initial savings to the federal government are mitigated by a loss of Medicare premiums and increased Medicaid and healthcare exchange subsidy payments. Overall, raising the Medicare eligibility age will save the Federal Government \$5.7 billion a year, while increasing overall health care expenses and shifting this additional burden to individuals, employers, and state governments.

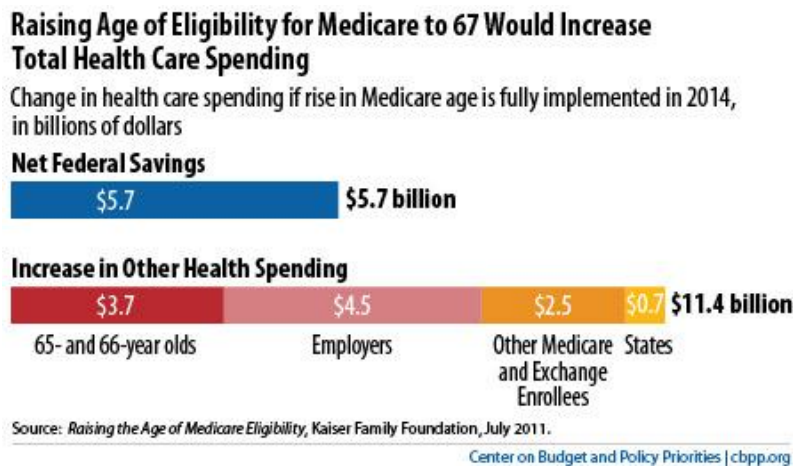
In contrast, the Federal Government could save \$20 billion a year – more than 3 times the amount from raising the Medicare age – by allowing Medicare to offer a prescription drug benefit with negotiated prices. This proposal would also offer additional savings to seniors who would have lower co-pays, and it would simplify the complicated and confusing enrollment process for Part D. The Latinos for a Secure Retirement coalition, made up of more than 10 leading national Latino organizations, strongly urges policymakers to oppose increases to the Medicare age and instead focus on creating a Medicare run prescription drug benefit with negotiated prices.

Introduction

Before Medicare was signed into law by Lyndon B. Johnson in 1965, seniors over 65 struggled to find and afford healthcare coverage. For the past 46 years Medicare has protected these seniors, keeping millions out of poverty, containing health care costs better than the private sector and reducing disparities in care. However, some politicians want to increase the eligibility age for Medicare and shift costs onto individuals, families, employers and state governments. This would drastically increase overall health care costs while leaving seniors more vulnerable. Alternatively, Congress can create a Medicare offered prescription drug benefit with negotiated prices that will save the government more than three times as much as raising the retirement age, while savings seniors money as well. This report looks at the effects increasing the Medicare eligibility age to 67 would have on the Latino community and how reforming the Medicare Part D prescription drug benefit can more efficiently reduce our deficit while protecting seniors.

Raising the Medicare Age to 67

Medicare is an entitlement program calculated off budget. It currently has a trust fund that will keep Medicare fully solvent until 2024, after which Medicare's annual income would be able to pay 90% of promised benefits.¹ Overall, increasing the Medicare eligibility age from 65 to 67 would save the Federal Government an estimated \$5.7 billion a year.² This saving is achieved by shifting the costs onto individuals, employers and state governments. Because Medicare is more cost efficient than the private market, health care costs will increase by more than \$11 billion, doubling the savings for the federal government.³



¹ Medicare Finances: Findings of the 2011 Trustees Report, by Sabiha Zainulbhai and Lee Goldberg, National Academy of Social Insurance. May, 2011. Available at: <http://www.nasi.org/research/2011/medicare-finances-findings-2011-trustees-report>

² Raising the Age of Medicare Eligibility: A Fresh Look Following Implementation of Health Reform, by Tricia Neuman, Juliette Cubanski, Daniel Waldo, Franklin Eppig, and James Mays, The Henry J. Kaiser Family Foundation. June, 2011. Available at: <http://www.kff.org/medicare/upload/8169.pdf>

³ Ibid.

These additional costs include higher out-of-pocket costs for those 65 and 66 years of age no longer covered by Medicare, additional costs to employers offering retiree health care coverage, and rising costs to cash strapped state governments. Finally, the state healthcare exchanges being created under the Affordable Care Act would have their premiums rise with the influx of older and higher cost patients.

The Latino Population

There are currently more than 50.5 million Latinos living in the United States, nearly one out of every six Americans.⁴ Nearly 3 million Latinos, or 5.7% of the total Latino population are currently over the age of 65.⁵ Latinos are younger than the population as a whole, while at the same time having longer average life expectancies and less access to employer-based coverage. The results are that increasing the Medicare age to 67 is especially harmful to Latinos. The increased costs to an individual Latino ends up being around \$5,814 over their lifetime, and could cost the Latino community \$2.4 billion dollars in 2014, when the proposed changes would take full effect.

Costs of raising the Medicare eligibility age to 67		
Age	Individual Latino	Latino Community
20-65	\$3,788	\$1,960,482,330
65-66	\$1,400	\$357,744,600
67+	\$626	\$108,029,160
Total	\$5,814	\$2,426,256,090

- Raising the Medicare age to 67 will increase costs to working age Americans younger than 65 in the healthcare exchanges, disproportionately affecting Latinos.

Without Medicare, it is estimated that 1.9 million 65 and 66 year olds would enter the healthcare exchanges being created by the Affordable Care Act.⁶ With the exchanges covering more older and expensive individuals, average premiums would increase by 3%, or an extra \$141 per year.⁷ Unfortunately, 59.7% of Latino workers lack an employer based plan, the highest percent of any ethnic group.⁸ Therefore, increased premium costs in the individual market could disproportionately impact Latinos. Overall, this would cost an average Latino around \$3,788

⁴ The Hispanic Population: 2010, by Sharon R. Ennis, Merarys Ríos-Vargas and Nora G. Albert, the U.S. Census Bureau. May, 2011. Available at: <http://www.census.gov/prod/cen2010/briefs/c2010br-04.pdf>

⁵ Table 9 from “Annual Estimates of the Resident Population by Race, Hispanic Origin, Sex and Age for the United States: April 1, 2000 to July 1, 2009,” by the U.S. Census Bureau. June, 2010. Available at: <http://www.census.gov/compendia/statab/2011/tables/11s0009.pdf>

⁶ Raising the Age of Medicare Eligibility: A Fresh Look Following Implementation of Health Reform

⁷ Raising the Age of Medicare Eligibility: A Fresh Look Following Implementation of Health Reform

⁸ Health Coverage in Communities of Color: Talking about the New Census Numbers, by Sherice Perry, Families USA. September, 2010. Available at: <http://www.familiesusa.org/assets/pdfs/minority-health-and-the-census-numbers.pdf>

from the age of 20 to 65,⁹ and the Latino community as a whole around \$1.9 billion dollars annually.¹⁰

These costs could be higher to the Latino community because the premium increases are larger the younger you are. For example, the increase in premiums for those under 30 is estimated to be 8%, and those 30-34 would see a 5% increase in premiums.¹¹ Latinos tend to be significantly younger than the population as a whole. This calculation also does not factor in potential cost sharing increases to those covered in employer plans or the likelihood that some employers would drop coverage altogether when faced with higher expenses. On the other hand, subsidies for low income, but not Medicaid eligible, enrollees could reduce some of this out of pocket expense.

- Seven million Americans aged 65 and 66 will face an aggregate increase in out-of-pocket costs of about \$3.7 billion.

Without access to Medicare, Americans 65 and 66 will have to get covered under the more expensive private market. While the specific impact on an individual will vary greatly depending on income, access to retiree health care from employees, Medicaid eligibility, etc., the average increase in out of pocket costs for an individual would be \$700 per year.¹² For Latinos, this would cost a combined total of up to \$357 million in the first year,¹³ with the average individual paying a total of \$1,400 more in out of pocket costs while they are 65 and 66.

- Raising the eligibility age will increase Medicare Part B premiums for those over 67.

⁹ LSR calculation taking the \$141 increase in premiums cited by the Kaiser Family Foundation, multiplying by the 59.7% of Latinos who would be affected and then multiplying by the 45 years between the age of 20 and 65 an individual would face these higher premiums.

¹⁰ LSR calculation taking the \$141 increase in premiums cited by the Kaiser Family Foundation multiplied by the 13.9 million Latinos who will need to purchase health insurance. This number is calculated by taking the 27.29 million Latinos between the age of 20-65 (from the U.S. Census, <http://www.census.gov/compendia/statab/2011/tables/11s0009.pdf>) subtracting the roughly 4 million working age Latinos on Medicaid (from Kaiser Family Foundation, <http://www.kff.org/medicaid/upload/8189.pdf>) and then multiplying by the 59.7 percent of Latino workers lacking employer based healthcare coverage. Note: Undocumented immigrants would not be able to purchase health insurance through the exchanges. For the purpose of this report we assume an equal increase in the premiums in the private non-exchange markets, as some documented 65 and 66 year olds could enter these markets if the exchanges became more expensive. Finally, we assume these individuals will purchase health insurance rather than paying the penalty and going without insurance. To the extent that Latinos remain uninsured, the out of pocket cost increase will be less.

¹¹ Raising the Age of Medicare Eligibility: A Fresh Look Following Implementation of Health Reform

¹² Ibid.

¹³ LSR calculation based on multiplying the \$700 estimated average increased out of pocket expenses by the roughly 509,678 Latinos who will be aged 65 and 66 in 2014, which was calculated by taking two fifths of the 1,274,000 Latinos currently aged 60-65 according to Census Data (<http://www.census.gov/compendia/statab/2011/tables/11s0009.pdf>). It should be noted that this average includes a wide range of outcomes, many low income Latino seniors could end up with reduced out of pocket expenses through Medicaid and health exchange subsidies. We did not exclude Medicaid enrollees from this calculation as the \$700 average increase calculated by the Kaiser Family Foundation is inclusive of Medicaid eligible individuals. Though to the extent the Latinos in this age group are disproportionately enrolled in Medicaid, the overall costs could also be lower.

As Medicare loses the youngest and healthiest contributors and becomes more concentrated among older seniors with higher health care costs, Medicare premiums would rise. It is estimated that the remaining Medicare enrollees will pay \$46 more a year for an aggregate increase of \$2.2 billion.¹⁴ While a \$46 a year increase may not sound like a large amount to many people, it makes a tremendous difference for seniors on low fixed incomes. Furthermore, because of longer life expectancies than other demographic groups, this cost increase could disproportionately impact Latinos. With an average life expectancy of 80.6, a Latino senior would pay an additional \$626 over their lifetime.¹⁵ For the Latino community as a whole, there would be around \$108 million in additional costs for the first year.¹⁶

Other Consequences to the Latino Community

- Could increase the number of uninsured, disproportionately affecting Latinos.

For those with modest incomes, a category that includes many 65 and 66 year old Latinos, raising the Medicare eligibility age could increase the number of uninsured. The reason for this is that private health insurers can charge higher premiums based on age, but the tax penalty enforcement known as the individual mandate stays at the same level regardless of age. 65 and 66 year olds would be the most likely to not have the income to afford the higher premiums they would face and instead go without health coverage and pay the tax penalty.

- Could weaken Medicaid for Latino Children.

Increasing the Medicare age will increase federal Medicaid expenditures by \$8.9 billion and state expenditures by an additional \$900 million in the first year.¹⁷ For Latinos, Medicaid is a crucial healthcare program for children in low income families, covering 9 million Latino children.¹⁸ Medicaid, funded as a partnership between states and the Federal Government, is already facing severe cutbacks both at the federal and state level. The program would be further threatened by this additional burden.

- Increases costs for employers, including Latino businesses. This would likely lead many employers to drop coverage.

¹⁴ Raising the Age of Medicare Eligibility: A Fresh Look Following Implementation of Health Reform

¹⁵ LSR calculation based on multiplying the \$46 increase in premium payments times the 13.6 years the average Latino lives past the age of 67. Life expectancy projections can be found at:

http://www.usatoday.com/news/health/2010-10-13-hispanics-life-span_N.htm

¹⁶ LSR calculation based on multiplying the \$46 increase in premium payment for the remaining Medicare enrollees cited by the Kaiser Family Foundation multiplied by an estimated 2,348 thousand Latinos that would be over 67 and not dual eligible for Medicaid assistance. The 2,345 thousand number comes by taking the estimated 2.7 million Latinos over 67 and factoring out the 21% of the Medicare population that is dual eligible times the 62% of the dual eligible that are age 65+. These numbers can be found at: <http://www.kff.org/medicare/upload/8138.pdf>.

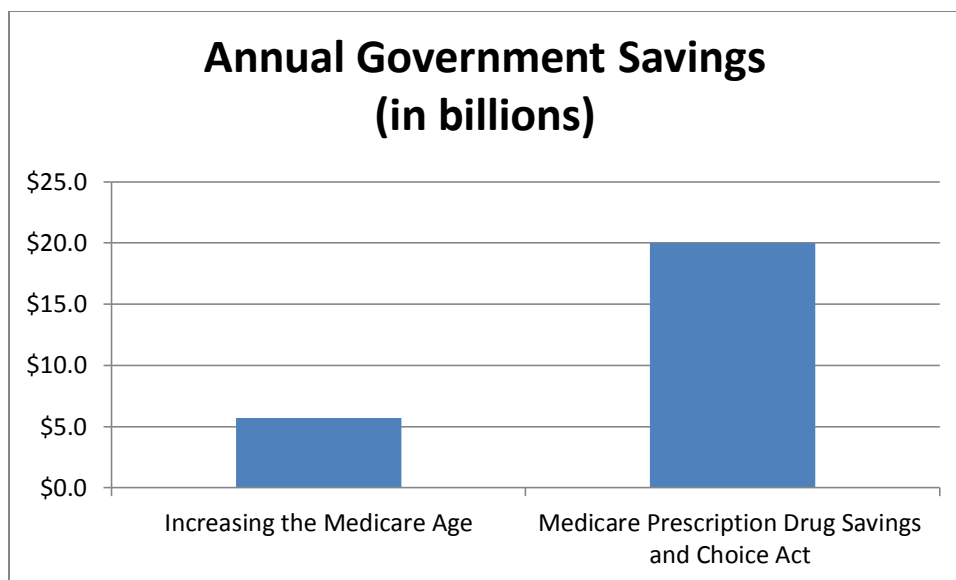
¹⁷ Raising the Age of Medicare Eligibility: A Fresh Look Following Implementation of Health Reform

¹⁸ Medicaid's Role for Hispanic Americans, by the Henry J. Kaiser Family Foundation. May, 2011. Available at: <http://www.kff.org/medicaid/upload/8189.pdf>

It is estimated that employers will see a \$4.5 annual increase in costs from becoming the primary payer for those 65 and 66 either currently working (1 million) or in employer retiree health care plans (1.1 million).¹⁹ This added cost to businesses will cause some employers to drop their retiree health care plans or shift more costs to employees. While neither of these factors are calculated in this paper, both would further drive up out of pocket costs to Latinos.

Alternative policy solution

Instead of harming hard working Americans, including disproportionately harming Latinos, Medicare could save more than three times this by creating a Medicare-administered Part D prescription drug benefit with the ability to negotiate for lower prices. The Medicare Prescription Drug Savings and Choice Act of 2011 introduced by U.S. Senator Dick Durbin (D-IL) and Representative Jan Schakowsky (D-IL) does this and would save Medicare around \$20 billion a year.²⁰ Additionally, this legislation would also benefit Latino seniors, many of which find the marketing practices and formulary changes of the private drug plans very confusing, by simplifying the enrollment process to Part D. When the prescription drug bill was first enacted, nearly one out of three Latino seniors failed to enroll – a much higher percentage than the senior population as a whole.²¹



¹⁹ Raising the Age of Medicare Eligibility: A Fresh Look Following Implementation of Health Reform

²⁰ Schakowsky, Durbin Introduce Bill Requiring HHS to Negotiate Drug Pricing in Medicare Part D. March, 2011. Available at: http://schakowsky.house.gov/index.php?option=com_content&task=view&id=2874&Itemid=16

²¹ Solis, Latino Advocates Call on Congress to Extend the Bush Rx Drug Plan Enrollment Period: New Study Finds that Latino Seniors Are at a Higher Risk of Being Locked Out of Rx Drug Part D. May, 2006. Available at: http://www.house.gov/apps/list/speech/ca32_solis/SolisLatinosandMedicareEvent.html

Conclusion

Increasing the Medicare eligibility age will be very harmful to Latinos. While it will save the Federal Government \$5.7 billion annually, it will increase overall health care costs and shift these increased expenses to individuals, employers and state governments. It would cost Latinos around \$2.4 billion a year. By contrast, creating a Medicare offered Part D prescription drug benefit with negotiated prices can reduce Federal Government expenses by \$20 billion a year while reducing out-of-pocket costs for seniors. The Latinos for a Secure Retirement Coalition supports the Medicare Prescription Drug Savings and Choice Act and encourages the President and Congress to adopt this approach to strengthening Medicare.