

The Slowdown in Medicare Spending Growth for Baby Boomers and Older Beneficiaries

Changes in Medicare Spending Levels and Growth by Age Group, 2007–2015

Laura M. Keohane

Assistant Professor
Department of Health Policy
Vanderbilt University School of Medicine

Lucas Stewart

Health Policy Analyst
Department of Health Policy
Vanderbilt University School of Medicine

Melinda B. Buntin

Mike Curb Professor of Health Policy and
Chair of the Department of Health Policy
Vanderbilt University School of Medicine

In 2011, the first members of the baby boom generation turned age 65 and began entering the Medicare program in large numbers. Baby boomers started joining Medicare during a period of historically low growth in traditional Medicare spending per beneficiary. One common misperception is that Medicare per-beneficiary spending growth would not have slowed without this shift toward a younger Medicare population.

By analyzing traditional Medicare spending and enrollment trends by age group from 2007 to 2015, this data brief demonstrates that beneficiary age was not the main driver of low Medicare spending growth. The slowdown in Medicare per-beneficiary spending reflects slower spending growth in all age groups, including older beneficiaries.

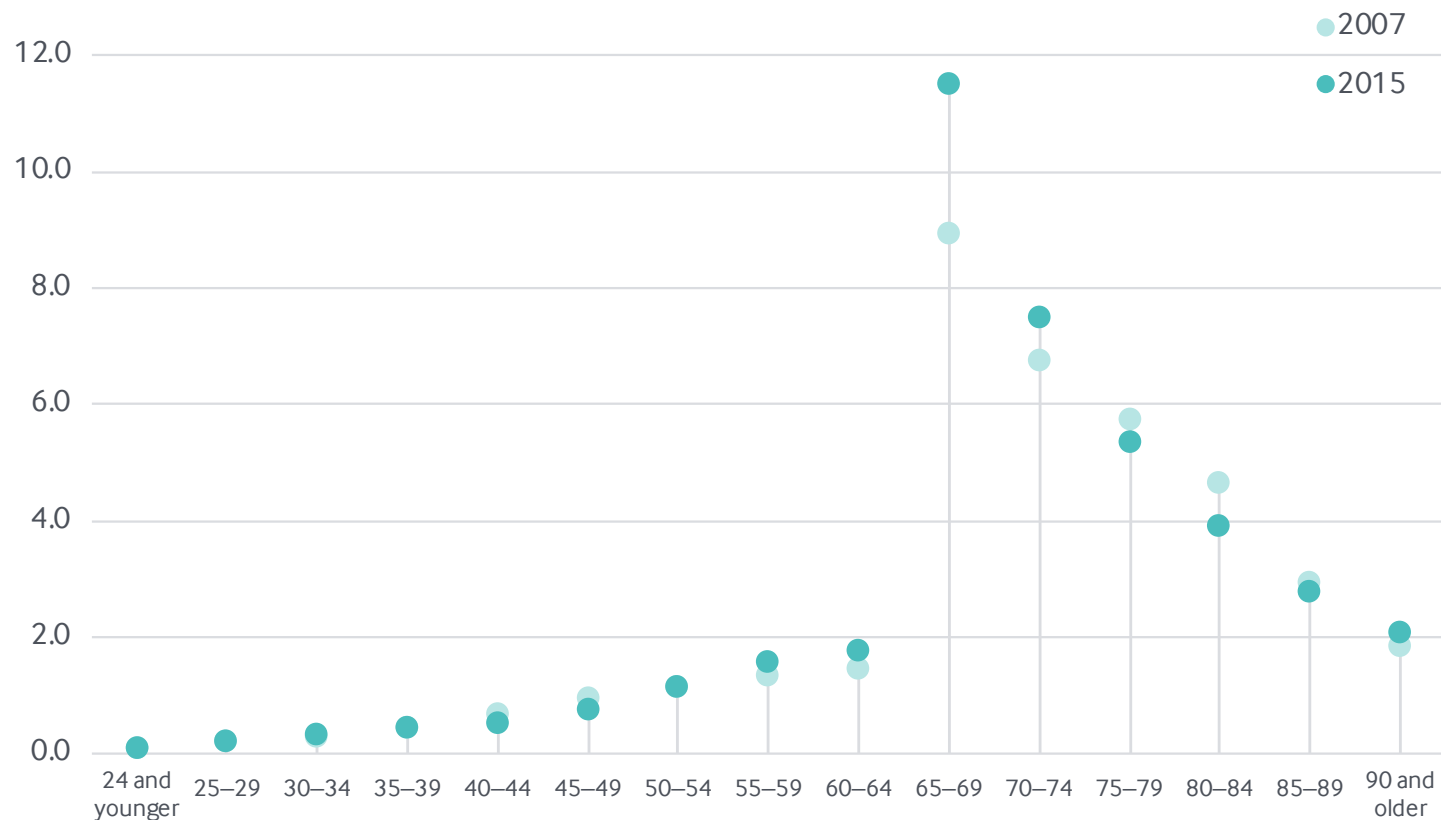
HIGHLIGHTS

- ▶ Even though there was a large increase in Medicare beneficiaries ages 65 to 74 when the baby boomers began entering Medicare, this age shift does not explain why Medicare spending per beneficiary has grown so little in recent years.
- ▶ Across all Medicare age groups, even the oldest beneficiaries, annual Medicare per-beneficiary spending growth was low from 2007 to 2015.
- ▶ If the Medicare age distribution had not changed during this time, the Medicare program would have still experienced lower spending growth.



From 2007 to 2015, the number of beneficiaries ages 65 to 69 increased more than any other age group as baby boomers joined Medicare.

Change in number of Medicare beneficiaries (in millions) by age group, 2007–2015



From 2007 to 2015, the size of the traditional Medicare population grew by 6.8 percent, from 37.5 million to 40.0 million beneficiaries. This time period spans the four years prior to the first baby boomer turning age 65 in 2011 and the subsequent five years.

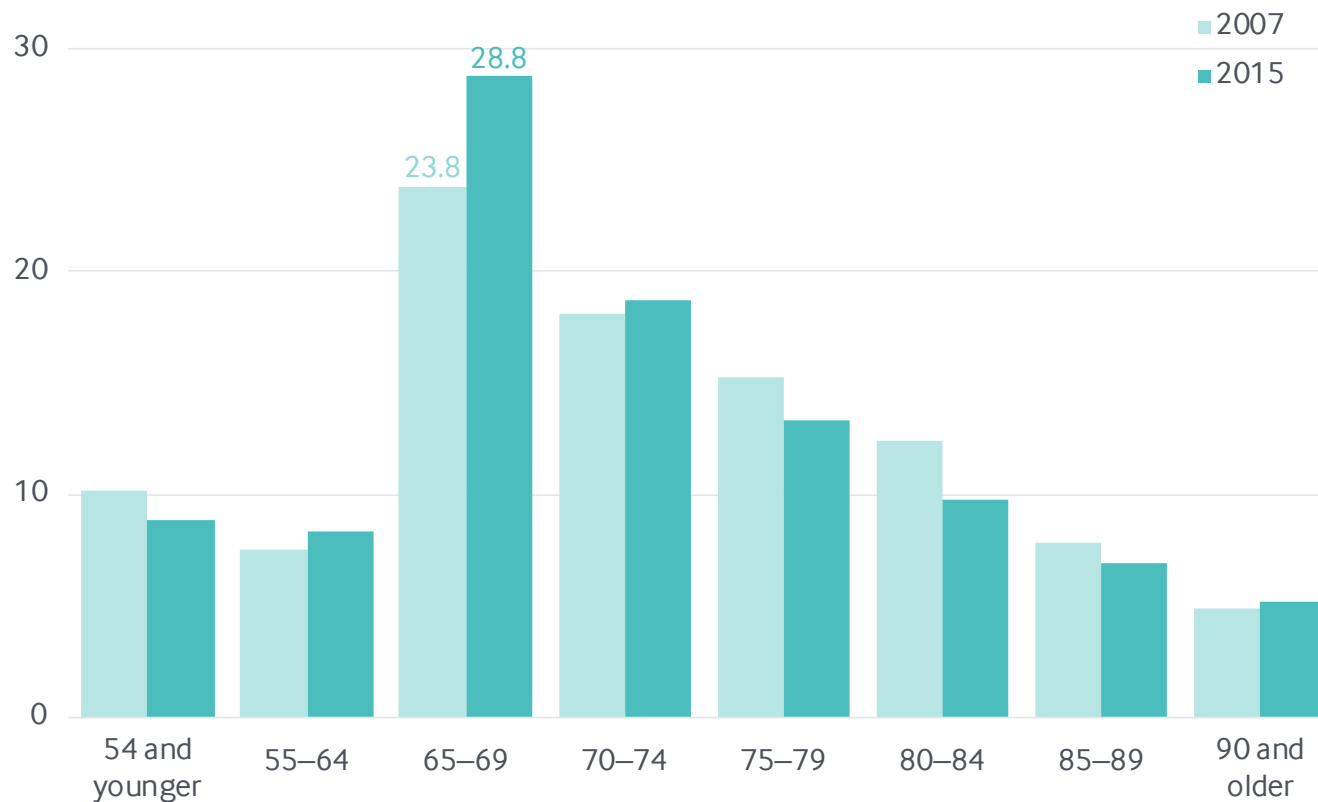
More than 3.3 million beneficiaries ages 65 to 74 joined traditional Medicare as the baby boom generation began qualifying for Medicare in large numbers. The number of beneficiaries ages 65 to 69 and ages 70 to 74 increased by 28.9 percent and 10.9 percent, respectively.

In contrast, most older age groups had small declines in the number of beneficiaries. For example, the number of beneficiaries ages 80 to 84 decreased by 16.0 percent. The number of beneficiaries 90 and older increased modestly by 14.1 percent.

Data: Authors' calculations using data from the Medicare Master Beneficiary Summary File and its Cost and Use segment for all traditional Medicare beneficiaries, 2007–2015.

Even before baby boomers began aging into Medicare, beneficiaries ages 65 to 69 were the largest age group in traditional Medicare.

Medicare population, share of beneficiaries by age group (%), 2007–2015



Medicare beneficiaries ages 65 to 69 represented 23.8 percent of beneficiaries in 2007. After the baby boomers began joining Medicare, this percentage increased to 28.8 percent.

By 2015, beneficiaries ages 75 to 89 comprised 30.2 percent of the traditional Medicare population, down from 35.6 percent in 2007.

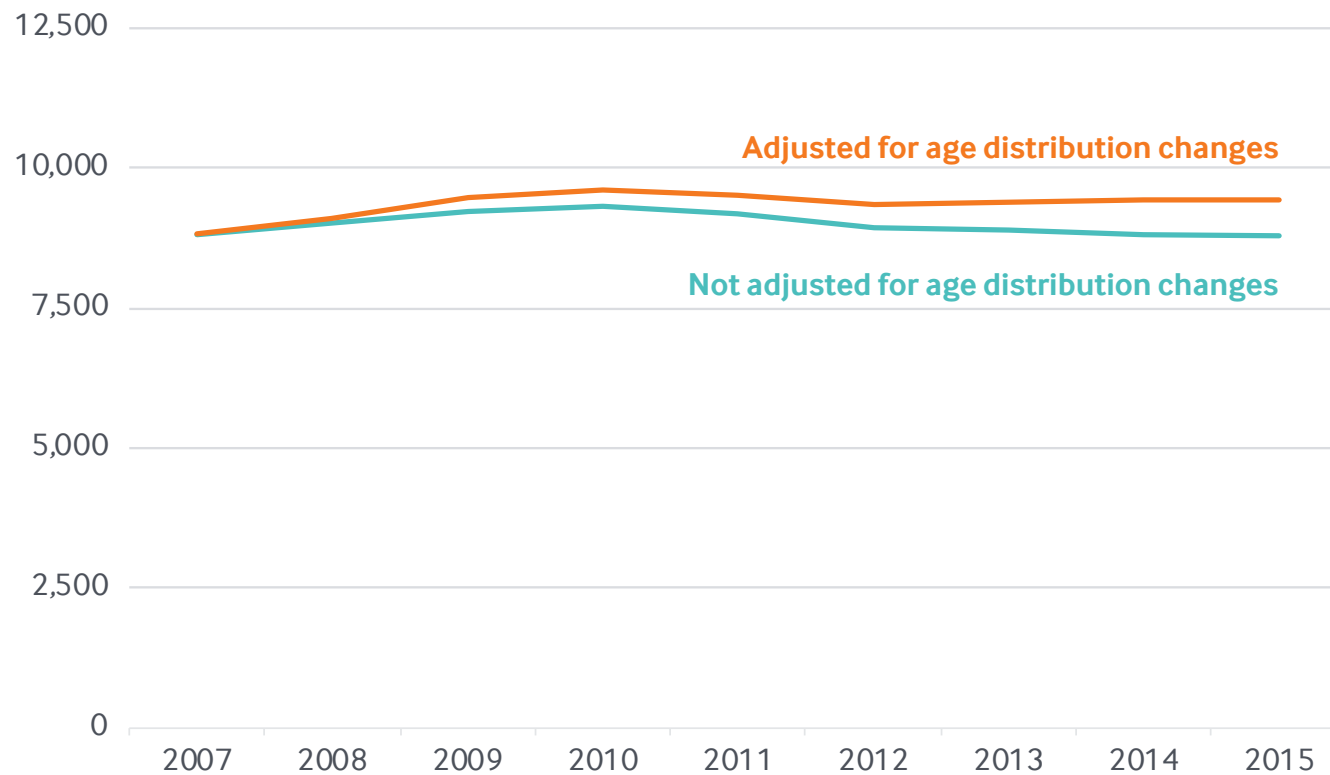
The proportion of traditional Medicare beneficiaries younger than age 65 remained relatively stable (17.2% in 2015 compared with 17.8% in 2007).

These estimates do not include Medicare Advantage enrollees. According to the Centers for Medicare and Medicaid Services, the number of Medicare Advantage enrollees doubled from 8.4 million to 16.8 million from 2007 to 2015.

Data: Authors' calculations using data from the Medicare Master Beneficiary Summary File and its Cost and Use segment for all traditional Medicare beneficiaries, 2007–2015.

The increased number of younger Medicare beneficiaries only slightly lowered how much Medicare spends on average per beneficiary.

Annual Medicare spending levels per beneficiary with and without adjusting for changes in age distribution (\$), 2007–2015



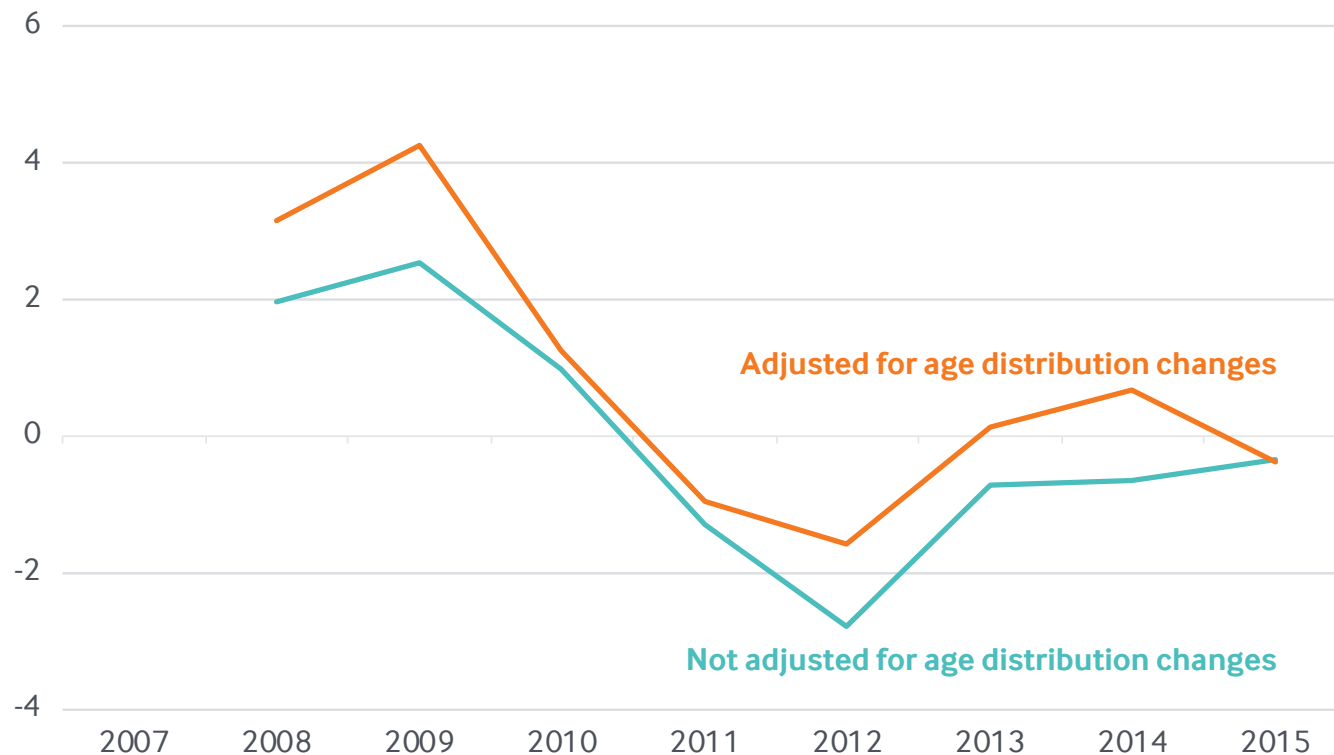
Data: Authors' calculations using data from the Medicare Master Beneficiary Summary File and its Cost and Use segment for all traditional Medicare beneficiaries, 2007–2015, and information on annual payment rate changes from the Federal Register and the Centers for Medicare and Medicaid Services. Spending levels adjusted to reflect payment rates in effect in 2015.

Across the traditional Medicare population, average spending levels changed from \$8,829 per beneficiary in 2007 to \$8,794 per beneficiary in 2015. These figures, and all the spending numbers reported in this brief, reflect adjustments for changes in Medicare payment rates over time.

If the age distribution of the Medicare population had remained the same from 2007 to 2015, Medicare spending levels would have been slightly higher in later years than what was observed with the influx of baby boomers. After accounting for shifts in the age distribution, the 2015 age-adjusted spending per traditional Medicare beneficiary was \$9,414, which is 7 percent greater than actual spending levels without any adjustment for age (\$8,794).

Even if the age distribution of the Medicare population had remained the same, annual growth in Medicare spending per beneficiary would have been low.

Annual growth in Medicare spending per beneficiary with and without adjusting for changes in age distribution (%), 2007–2015



Data: Authors' calculations using data from the Medicare Master Beneficiary Summary File and its Cost and Use segment for all traditional Medicare beneficiaries, 2007–2015, and information on annual payment rate changes from the Federal Register and the Centers for Medicare and Medicaid Services. Spending growth rates adjusted to reflect annual payment rate changes.

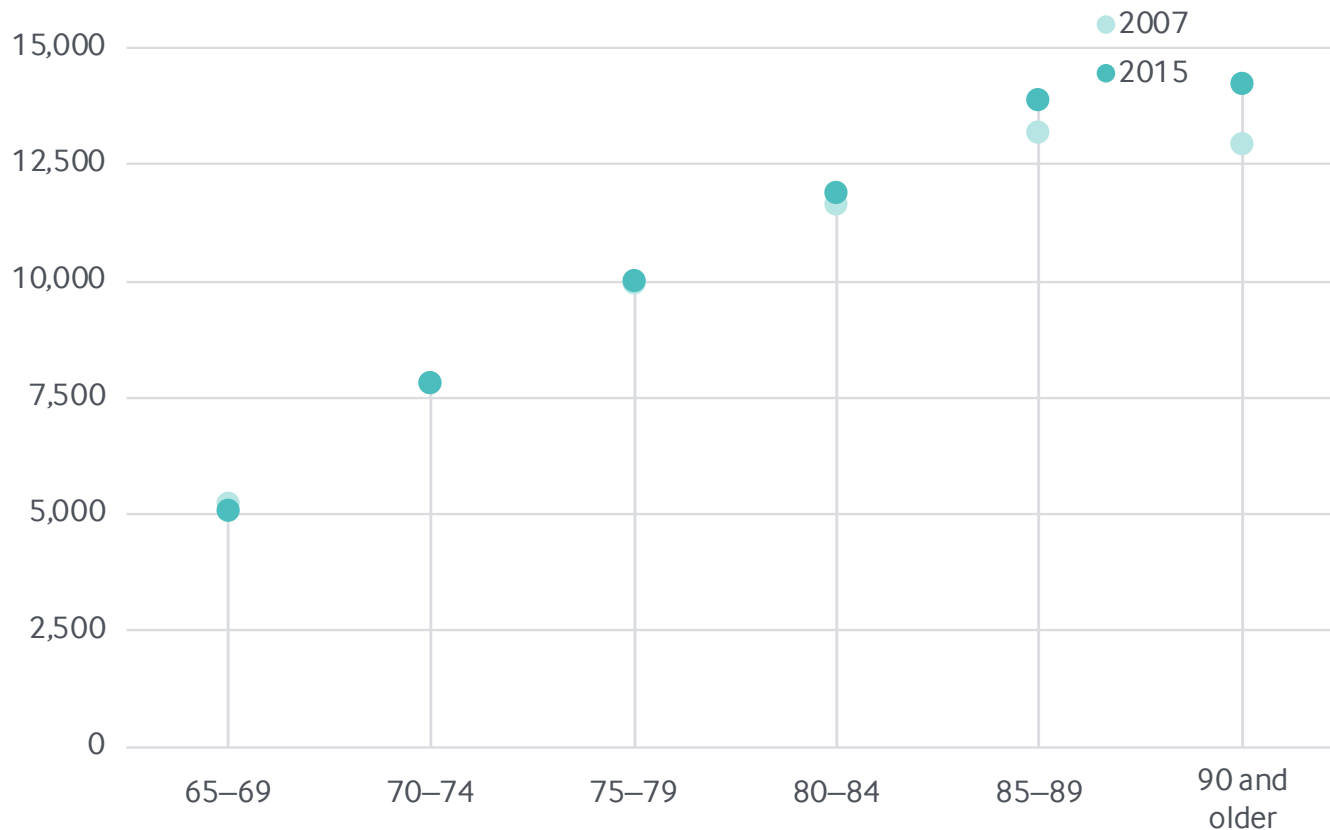
Before adjusting for changes in the Medicare population's age distribution, the average annual growth rate of spending per beneficiary was -0.04 percent from 2007 to 2015. (Like all spending estimates reported in this brief, these estimates reflect Medicare spending after adjustment to 2015 Medicare payment rates.)

After accounting for the shift toward a younger Medicare population, spending per beneficiary grew by 0.8 percent on average from 2007 to 2015. This rate of growth is slightly greater than the -0.04 percent unadjusted average annual rate of growth.

Whether or not spending growth is adjusted for shifts in age distribution, many years during this period had spending growth that was minimal (close to 0%) or negative (below 0% , indicating that spending levels declined).

Across most older groups, average Medicare spending levels per beneficiary changed little from 2007 to 2015.

Change in average Medicare spending per beneficiary by age group (\$), 2007–2015



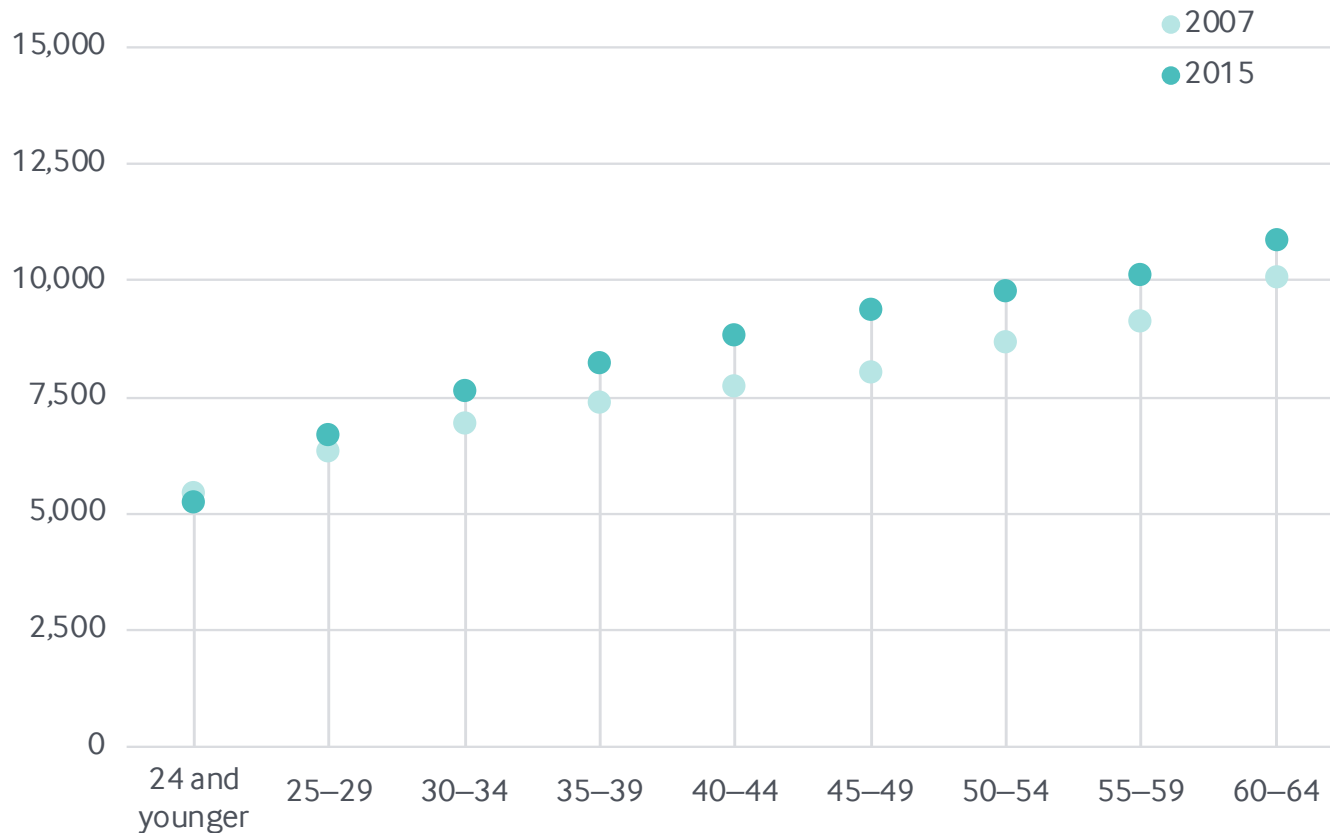
Most groups ages 65 to 84 had almost no change in per-beneficiary spending levels from 2007 to 2015. After adjusting for payment rate changes, spending levels per beneficiary declined slightly (by 3.7%), from \$5,275 to \$5,081 per beneficiary for those ages 65 to 69, and from \$7,824 to \$7,818 per beneficiary for those ages 70 to 74.

In contrast, the oldest Medicare beneficiaries had slightly larger net increases in spending levels. Among beneficiaries age 90 and older, spending per beneficiary increased by 10.0 percent from \$12,948 in 2007 to \$14,244 in 2015.

Data: Authors' calculations using data from the Medicare Master Beneficiary Summary File and its Cost and Use segment for all traditional Medicare beneficiaries, 2007–2015, and information on annual payment rate changes from the Federal Register and the Centers for Medicare and Medicaid Services. Spending levels adjusted to reflect payment rates in effect in 2015.

Average Medicare spending levels per beneficiary increased from 2007 to 2015 for most age groups of Medicare beneficiaries who qualify because of disability.

Change in average Medicare spending per beneficiary by age group (\$), 2007–2015



Almost all age groups among traditional beneficiaries younger than age 65 had increases in Medicare spending levels from 2007 to 2015. Net changes in spending levels during this time period ranged from 4.8 percent to 16.6 percent for those ages 30 to 64.

Data: Authors' calculations using data from the Medicare Master Beneficiary Summary File and its Cost and Use segment for all traditional Medicare beneficiaries, 2007–2015, and information on annual payment rate changes from the Federal Register and the Centers for Medicare and Medicaid Services. Spending levels adjusted to reflect payment rates in effect in 2015.

All age groups of older Medicare beneficiaries had similar patterns of declining or low annual growth in spending per beneficiary from 2007 to 2015.

Annual growth in Medicare spending per beneficiary by age group (%), 2007–2015



For most age groups, annual spending growth rates declined every year from 2007 to 2012, followed by increasing spending growth rates from 2013 to 2015.

The timing of when spending growth rates began to decline varied by age group. Unlike older beneficiaries, those ages 65 to 79 had modest increases in 2009 spending growth. In contrast, 2009 marked the first year of declining spending growth for beneficiaries 80 and older during this time period.

Data: Authors' calculations using data from the Medicare Master Beneficiary Summary File and its Cost and Use segment for all traditional Medicare beneficiaries, 2007–2015, and information on annual payment rate changes from the Federal Register and the Centers for Medicare and Medicaid Services. Spending growth rates adjusted to reflect annual payment rate changes.

CONCLUSION

With the aging of the baby boomer population, the Medicare program experienced a large increase in the proportion of beneficiaries ages 65 to 74. This shift toward a younger Medicare population, however, explains very little of why Medicare per-beneficiary spending growth was low from 2007 to 2015. Across all Medicare age groups — even the oldest beneficiaries — annual Medicare per-beneficiary spending growth was low during this period. If the Medicare age distribution had not changed during this time period, the Medicare program still would have experienced lower spending growth.

HOW WE CONDUCTED THIS STUDY

Data sources: Medicare Master Beneficiary Summary File and its associated Cost and Use segment for the years 2007–2015. This data set provides information about each beneficiary’s age and total annual spending.

Population: Traditional Medicare beneficiaries who were not enrolled in Medicare Advantage as of July in a given calendar year.

Payment rate adjustment: All spending level and spending growth measures are adjusted to account for annual changes in Medicare payment rates. In all years, reported spending levels reflect payment rates in effect in 2015. Information on annual payment rate changes is based on notices in the Federal Register and data from the Centers for Medicare and Medicaid Services.

Age adjustment: To account for the shift in the age distribution of the Medicare population, we estimate what mean overall spending would be if the mean spending levels by age group changed over time as observed in the data, but the proportion of beneficiaries in each age group remained the same as in 2007.

ABOUT THE AUTHORS

Laura M. Keohane, Ph.D., M.S., is an assistant professor in the Department of Health Policy at Vanderbilt University School of Medicine. She investigates health policy issues related to aging and disability with a focus on dual-eligible beneficiaries, postacute care services, and long-term services and supports. Dr. Keohane holds a Ph.D. in health services research from Brown University and an M.S. in health policy and management from the Harvard T.H. Chan School of Public Health.

Lucas Stewart is a former health policy analyst in the Department of Health Policy at Vanderbilt University School of Medicine. He graduated from the University of Tennessee, Knoxville with a degree in economics. Mr. Stewart is currently pursuing a master's degree at the Duke University Sanford School of Public Policy.

Melinda B. Buntin, Ph.D., is the Mike Curb Professor of Health Policy and chair of the Department of Health Policy at Vanderbilt University School of Medicine. Her research interests include health care costs and growth, provider payment systems, and health insurance markets. Buntin previously served as deputy assistant director for health at the Congressional Budget Office (CBO). Prior to joining CBO, she worked at the Office of the National Coordinator for Health IT and RAND. Dr. Buntin has a Ph.D. in health policy with a concentration in economics from Harvard University.

.....
Editorial support was provided by Christopher Hollander.

ACKNOWLEDGMENTS

The authors would like to thank Christine Lai and Alexander Podczerwinski for assistance with data analysis.

For more information about this brief, please contact:

Laura M. Keohane, Ph.D., M.S.
Assistant Professor
Department of Health Policy
Vanderbilt University School of Medicine
laura.keohane@vanderbilt.edu



The Commonwealth Fund

Affordable, quality health care. For everyone.

About the Commonwealth Fund

The mission of the Commonwealth Fund is to promote a high-performing health care system that achieves better access, improved quality, and greater efficiency, particularly for society's most vulnerable, including low-income people, the uninsured, and people of color. Support for this research was provided by the Commonwealth Fund. The views presented here are those of the authors and not necessarily those of the Commonwealth Fund or its directors, officers, or staff.