

A Medicare Buy-in Program

Older adults without employer coverage often have trouble getting access to good, affordable health insurance. A program allowing people to pay a premium to buy into Medicare could be a solution to this problem. But, design of a Medicare Buy-In would have to address the need for subsidies to make premiums affordable and key other issues.

Central to the current health care reform debate is consideration of a variety of approaches to expanding access to health coverage for those who are currently uninsured or underinsured. One approach would allow older adults to pay a premium to join Medicare. In general, such proposals for a Medicare Buy-In have targeted adults in their 50s and early 60s.

A key question is whether buying into the program will be an attractive, affordable option for people in this age group.

Why a Medicare Buy-in Program?

Medicare is by many measures a tremendous success story, providing health care coverage for the elderly and disabled. Before the program started in the 1960s, the elderly had great difficulty purchasing health care coverage and faced challenges accessing health care.

Medicare has largely addressed the fundamental problem of access to coverage for the age 65+ population, while keeping administrative costs down. So, expanding this program to other groups of people facing challenges accessing insurance coverage and health care is a logical idea.

Advantages of a Medicare Buy-In

- **Guaranteed access and continuity of coverage.** Being allowed to purchase Medicare coverage would provide long-term access to health insurance, continuity of plan and providers, and stability for many older adults.
- **Better health and lower future Medicare costs.** A buy-in program may actually reduce Medicare spending if it means that people have access to preventive and other services that can improve their health as they become eligible for Medicare under the traditional rules.
- **Efficiency and speed of building on existing infrastructure.** Medicare buy-in would build on an existing program rather than creating a new one, allowing it to be implemented more quickly than a new mechanism, such as an Exchange.

Concerns about a Medicare Buy-In

- **If financed through the existing trust funds, would hasten insolvency.** Sustainability of the existing Medicare program is a policy concern. Expanding Medicare to more people would aggravate this problem unless there are no premium subsidies or subsidies are not funded from the existing Medicare trust funds.

- **Further erosion of employer-sponsored retiree health benefits.** Employers might avoid offering coverage to early retirees if other options are available at a reasonable price.
- **Adverse selection could limit its appeal.** Since a buy-in for older adults will reflect the average cost of that population, the premium may be too high to attract those who don't use much health care and to be affordable for those with modest incomes.

Key Design Questions

The design of a Buy-in involves many important choices. Some of the most critical are the following.

- **To subsidize or not: the trade-offs between affordability and program costs.** People with more health problems may be most attracted to the program. This makes the premium higher and discourages healthier people from enrolling. One way to avoid this is to subsidize the premium so it is low enough to attract a better mix of risks. At the same time, subsidies are costly.
- **Eligibility.** Limiting eligibility to those who are older and who don't have access to employer or other public coverage focuses on a population with trouble getting private insurance, and limits erosion of employer coverage. It is unclear how much it would effect decisions

to retire, which can hinge on having both adequate income to retire and access to coverage.

- **Financing Subsidies.** To make coverage affordable to a many people, subsidies are needed. Financing for broader health reform might be used to support people choosing the Buy-In program.

The goal of health care reform is to make coverage options available that are both affordable and provide adequate benefits.

The adequacy of benefits, eligibility, the mix of age and health risks enrolling, the availability of subsidies and financing to make premiums older adults face affordable are all central. Together they will determine how well a Buy-in program (or any other coverage option opened up by reform) improves on the options available to older adults today.

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