



Medicare International (pilot program)

Policy Proposal to Authorize U.S. Expenditures to Foreign Countries for Healthcare Services for Medicare Beneficiaries

Overview

Currently, CMS is authorized to initiate demonstration projects under Title XVIII of the Social Security Act. However, CMS does not currently allow Americans to reunite with their families abroad and continue to participate in Medicare even though this could generate significant and much-needed savings for Medicare. An additional authorization would enable a demonstration program in other countries that could provide up to 40% in savings to Medicare while providing equivalent quality of care and allowing families to reunite and the elderly to use the program for which they have paid their entire lives.

Current Statute

Under Section 1866B of the Title XVIII of the Social Security Act, the parameters of the CMS demonstration program are prescribed as including beneficiaries not enrolled in Medicare+Choice (also known as Medicare Advantage) plan under Part C and a program being limited by geographic area or a subgroup of beneficiaries that involves a number of participants and elements of the program as determined by the Secretary. The individuals must volunteer to receive services in the demonstration program and the Secretary must establish performance standards that include standards on quality of health care, cost-effectiveness, beneficiary satisfaction, and other factors at Secretary's discretion. The program cannot be continued or renewed unless it meets or exceeds the performance criteria. Finally, the Secretary can administer the demonstration program through a program administrator via a contract for a limited geographic area or on a regional or national basis that determines the amount of and makes payments for health care items and services. The contract is for an initial term of up to three years and can be renewable for additional terms of up to three years.

Recommended Policy Change

In order to enable a demonstration program in other countries that could provide up to 40% in savings to Medicare while providing equivalent quality of care, Section 1866B(a)(2) and Section 1866(b) can be amended to include Americans living abroad as follows in bold:

1866B(a)(2) Secretary's discretion as to scope of program.—The Secretary may limit the implementation of the demonstration program to—



- (A) a geographic area (or areas) **that is in or outside of the United States** that the Secretary designates for purposes of the program, based upon such criteria as the Secretary finds appropriate;
- (B) a subgroup (or subgroups) of beneficiaries or individuals and entities furnishing items or services (otherwise eligible to participate in the program), selected on the basis of the number of such participants that the Secretary finds consistent with the effective and efficient implementation of the program;
- (C) an element (or elements) of the program that the Secretary determines to be suitable for implementation; or
- (D) any combination of any of the limits described in subparagraphs (A) through (C).

1866(b) Contracts for Program Administration.—

- (1) In general.—The Secretary may administer the demonstration program through a contract with a program administrator in accordance with the provisions of this subsection.
- (2) Scope of program administrator contracts.—The Secretary may enter into such contracts for a limited geographic area, or on a regional or national basis, **in or outside of the United States**.
- (3) Eligible contractors.—The Secretary may contract for the administration of the program with—
 - (A) an entity that, under a contract under section 1816 or 1842, determines the amount of and makes payments for health care items and services furnished under this title; or
 - (B) any other entity with substantial experience in managing the type of program concerned.

Conclusion

Today, there are more than 77 million people over the age of 60.¹ In FY2020, Medicare is expected to cover approximately 63 million persons (54 million aged and 9 million disabled) at a total cost of about **\$836 billion**, and that was before the coronavirus outbreak. With many seniors infected, the expenditures are expected to be higher, accelerating the projected insolvency date of Medicare's hospital trust fund from the projected 2026 date.

By 2040, 1 of every 3 dollars spent in the U.S. will be spent on health care.^{2, 3} The average annual spending growth in Medicare (7.4 percent) is expected to exceed that in Medicaid (5.5 percent) and private health insurance (4.8 percent), mostly as a result of comparatively higher projected enrollment

¹ Administration for Community Living: Projected Future Growth of Older Populations. Available at: <https://acl.gov/aging-and-disability-in-america/data-and-research/projected-future-growth-older-population>

² Emanuel EJ. Where are the health care cost savings? JAMA. 2012;307(1):39–40. [PubMed] [Google Scholar]

³ Congressional Budget Office. The long-term outlook for health care spending. Available at: <http://www.cbo.gov/ftpdocs/87xx/doc8758/MainText3.1.shtml>. Accessed September 12, 2015.



growth.⁴ Over the next 10 years, Medicare spending is expected to almost double due mainly to growing enrollment and increasing health care costs and the trust fund will become insolvent.^{5, 6} Additionally, by 2032 there will be a shortage of up to nearly 122,000 physicians in the U.S.⁷ Meanwhile, there are 9 million Americans living abroad and an estimated 2-3 million elderly Americans in the U.S. who would likely move to join their families if Medicare coverage continued while living abroad. With Medicare facing a substantial financial shortfall that will impact beneficiaries, providers and taxpayers, the U.S. government needs to consider innovative demonstration programs to stem this continued growth in Medicare spending.⁸ Authorizing U.S. expenditures via demonstration programs that utilize contracts with program administrators in foreign countries for healthcare services for Medicare beneficiaries could help address this problem.

About GSI

The Governmental Savings Institute is a not-for-profit organization formed to creating substantial cost savings for Government while facilitating the increase and expansion of governmental services and choices for citizens. The Governmental Savings Institute (GSI) is a Georgia-based not-for-profit, soon to be 501c3 compliant.

Points of Contact:

Philippe Blumenthal, Founder & CEO, Government Savings Institute, pb@govtsavings.org, +1 (470) 808-4089

John Richter, G2G: jrichter@G2Gconsulting.com, (202) 445-0394

Liz Powell, G2G: lpowell@G2Gconsulting.com, (202) 445-4242

Greg Porter, Catalyst: greg@catalystgrouponline.com (816) 721-3336

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⁴ Health Affairs article: Sisko, et al., "National Health Expenditure Projections, 2018-27: Economic and Demographic Trends Drive Spending and Enrollment Growth", <https://www.healthaffairs.org/doi/abs/10.1377/hlthaff.2018.05499>

⁵ Congressional Research Service, Medicare Overview. Available at: <https://crsreports.congress.gov/product/pdf/IF/IF10885>

⁶ 2019 Annual Report of The Boards of Trustees of The Federal Hospital Insurance and Federal Supplementary Medical Insurance Trust Funds. Available at: <https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/ReportsTrustFunds/Downloads/TR2019.pdf>

⁷ Association of American Medical Colleges

⁸ 2019 Annual Report of The Boards of Trustees of The Federal Hospital Insurance and Federal Supplementary Medical Insurance Trust Funds. Available at: <https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/ReportsTrustFunds/Downloads/TR2019.pdf>