ONE-PAGER *Published August 19, 2015 • 4 minute read*

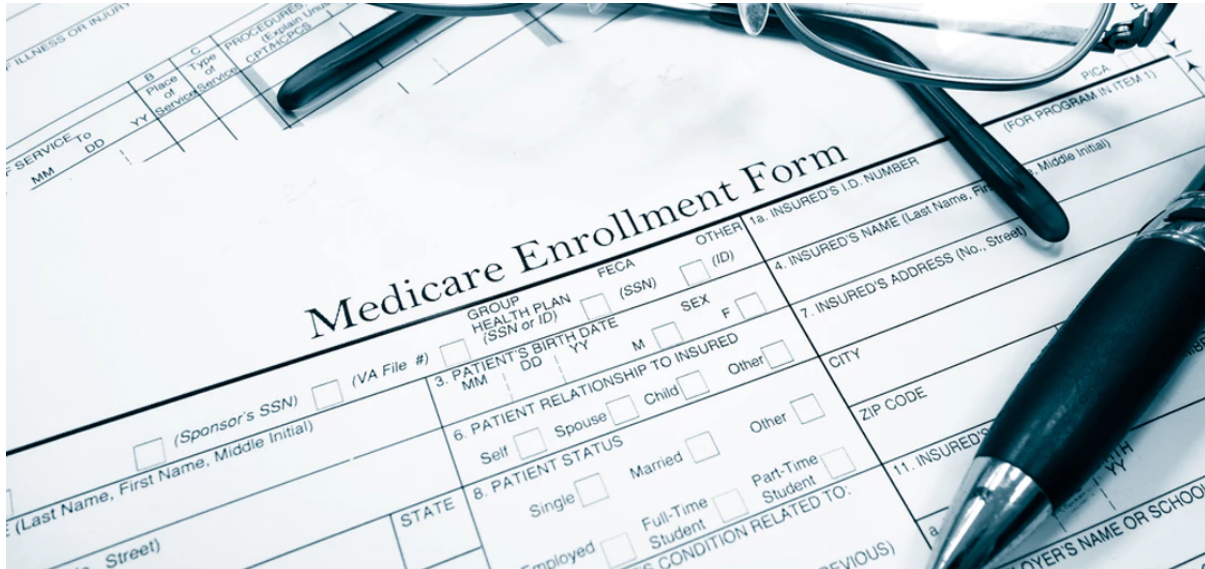# Executive Summary: Rethinking Medicare Enrollment

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Author and baby boomer advocate Carol Osborn filled six large folders with hundreds of brochures about health insurance plan options before she enrolled in Medicare. Her research also involved dozens of calls to government offices, financial advisors, and public counseling services to determine the best plan for her. She says enrolling in Medicare is her second greatest late-in-life accomplishment. Getting a PhD in her 50s is her first.

Choosing the right Medicare plan should not be that hard. Millions of older Americans end up paying hundreds of dollars extra for health care because the choices overwhelm them. Those extra costs get multiplied in Medicare because it pays more for uncoordinated care that leads to unnecessary expenses. Beneficiaries should have a way to easily select a plan based on their needs and preferences. For beneficiaries who prefer to be completely passive about their choice, Medicare should no longer indiscriminately assign them to the original, fee-for-service Medicare plan without regard to the cost and quality of care under alternative private plans. Instead, the default choice should be the highest value plan

for beneficiaries in their area, which could be original Medicare or a private plan—and they would be free to change plans. Not only would new beneficiaries be happier because they would be saving an average of $1,704 in annual premiums, changing the enrollment process for new Medicare beneficiaries would save the federal government $57.3 billion over ten years.

This idea brief is one of a series of Third Way proposals that cuts waste in health care by removing obstacles to quality patient care. This approach directly improves the patient experience—when patients stay healthy, or get better quicker, they need less care. Our proposals come from innovative ideas pioneered by health care professionals and organizations, and show how to scale successful pilots from red and blue states. Together, they make cutting waste a policy agenda instead of a mere slogan.

What Is Stopping Beneficiaries From Enrolling in High Value Plans?

Why is it so hard to choose a good plan? One big problem is that beneficiaries do not have access to information about the quality of care in original Medicare for their area. National studies indicate that beneficiaries in Medicare Advantage plans receive better quality care, on average, than those in original Medicare. But original, fee-for-service Medicare does not regularly assess and report on its quality for each local area, leaving consumers in the dark.

Another big problem is the challenge that anyone faces when making a complex choice. On average, beneficiaries have 19 choices including original Medicare. Too much information and too many choices can easily overwhelm individuals, and then having made a choice, they may get stuck in trying to make a different choice the following year. Moreover, after a consumer has been in a health plan for a while, they are more likely to stay in it even in the face of better options.

Where Are Innovations Happening?

In recent years, there have been experiments with policies that encourage the use of a safe default choice to help individuals save for retirement. When employers automatically enroll employees in a retirement plan, 86% will follow through and save money, but when employees must sign themselves up, the number of employees who save drops to 49%. Applying better default choices to health insurance choices is just getting started, but local innovations include:

- Massachusetts, which is setting up an effective default mechanism for beneficiaries dually eligible for Medicare and Medicaid, has set contracts with three different plans to integrate Medicaid and Medicare financing and provide person-centered, comprehensive Medicaid and Medicare benefits.

- Picwell is a new company that makes health plan recommendations using a sophisticated prediction of a person's health care costs for the upcoming year based on the individual's claims experiences from previous years.

How Can We Bring Solutions To Scale?

Policymakers should simplify automatic enrollment and comparison shopping for Medicare—which would lower costs for beneficiaries, give them quality care, and reduce unnecessary Medicare spending with these three steps:

- Offer Medicare beneficiaries decision support tools for choosing coverage.

- Allow all new and current beneficiaries to set their own default preferences for a plan choice.

- New beneficiaries who do not make a choice should be automatically enrolled into the highest value plan.

Potential Savings

The federal budgetary savings from this proposal is $57.3 billion over ten years. State governments would save an additional $600 million in Medicaid costs.