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To: Third Way

From: Actuarial Research Corporation

Subject: Final Scoring Memo: Diabetes Prevention

Date: February 26, 2015

Policy Background

Background information on the policy issue is described below and comes from Avalere's work.[1]

> This proposal would create a new Medicare benefit covering eligible diabetes prevention programs for Medicare beneficiaries diagnosed with prediabetes. These diabetes prevention programs would meet the standards under the National Diabetes Prevention Program established by the Centers for Disease Control and Prevention (CDC) and would offer group-based lifestyle intervention sessions for eligible Medicare beneficiaries. Physicians, health plans and providers would be encouraged to better identify individuals with prediabetes by publicly reporting of screening rates for prediabetes and requiring medical homes to conduct routine prediabetes screenings.

This analysis looks at extending the diabetes prevention policy to the under 65 population. Modeling specifications for expanding Medicare policies to the under 65 population are from Third Way.[2]

> [For Medicaid,] states would be required to adopt the same policy as Medicare's. Coverage for diabetes prevention [in exchange-based health plans and employment-based coverage] would be part of the essential benefit package. Screening for pre-diabetes will be covered as a free preventive care measure assuming the recent U.S. Preventive Task Force screenings recommendations are adopted. All exchange-based plans will be required to report on their diabetes prevention outcomes. Employment-based plans are likely to adopt the same outcome measure if all other payers are doing so.

The estimates of projected savings as a result of extending the diabetes prevention program to the under 65 population are shown in Table 1. In summary, projected savings to Medicare total $5.8 billion, projected savings to Medicaid total $4.2 billion, projected savings to private health insurance (PHI) total $10.2 billion and projected savings to out-of-pocket (OOP) total $2.4 billion over the 10-year period (2015-2024). Total projected savings including Medicare, Medicaid, PHI and OOP total $22.5 billion.

Estimation Process and Results

Using the estimates of total savings from the Avalere memo,[3] we applied simplified assumptions to approximate potential per capita savings to the prediabetes Medicare population. Total Medicare enrollment for the time

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[1] Avalere Health. (October 1, 2014). *Estimated Federal Impact or a Diabetes Prevention Program for Medicare.*

[2] D. Kendall email communication "Re: Thoughts on specs for Bundling option," November 5, 2014. Attachment: "ARC-Extending Third Way's Medicare Policies to under-65.doc."

period examined is derived from CMS projections. Using data from the Centers for Disease Control and Prevention (CDC) National Diabetes Statistics Report (2014)[4] and population estimates by age,[5] we estimated that 51% of the population age 65+ has prediabetes.

Using the total savings due to the diabetes prevention program for Medicare, we approximated a per capita annual savings estimate. This savings estimate is applied to the prediabetes Medicaid and PHI populations, which is explained in greater detail below.

Projected Medicare savings is estimated to be slightly higher than the estimates found in Avalere's memo. Assuming the policy is expanding to the under 65 population results in additional savings to Medicare from a few people in the under 65 population who eliminate or delay the onset of diabetes over the ten-year period (2015-2024). We use illustrative estimates ranging from 1-3% to increase total Medicare savings to account for the impact on Medicare starting in 2016. This produces illustrative, projected savings to Medicare of about $5.8 billion over the ten-year period (2015-2024).

Using data from the CDC National Diabetes Statistics Report (2014)[6] and population estimates by age,[7] we estimated that 34% of the population under age 65 has prediabetes. This estimate is applied to the projected Medicaid and PHI populations. The per capita savings estimate calculated from the Medicare population of interest is applied to the prediabetes Medicaid population. This produces illustrative, projected savings to Medicaid of about $4.2 billion over the ten-year period (2015-2024). We also estimated the portion of Medicaid savings by the federal government and by states using the average Federal Medical Assistance Percentage (FMAP) for states in FY2015 (59%).[8] Of the $4.2 billion in savings to Medicaid, the federal share is $2.5 billion and the state share is $1.7 billion.

For the PHI population, the per capita savings estimate calculated from the Medicare population of interest is applied to the prediabetes PHI population. The increase in Medicare savings from expanding the policy to the under 65 population is then offset in PHI estimates. This produces illustrative, projected savings to PHI of about $10.2 billion over the ten-year period (2015-2024).

To estimate the effect of the diabetes prevention policy on OOP spending, we used an estimate of how much OOP is associated with each dollar of payment through Medicare, Medicaid and PHI. The assumed distribution of OOP savings is as follows: 5% of total Medicare savings, 2% of total Medicaid savings and 20% of total PHI savings. Projected OOP savings total $2.4 billion over the ten-year period (2015-2024).

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[3] Avalere Health. (October 1, 2014). *Estimated Federal Impact or a Diabetes Prevention Program for Medicare.*
[4] Centers for Disease Control and Prevention. "National Diabetes Statistics Report, 2014" http://www.cdc.gov/diabetes/pubs/statsreport14/national-diabetes-report-web.pdf
[5] US CENSUS BUREAU AGE AND SEX COMPOSITION IN THE UNITED STATES: 2012 http://www.census.gov/population/age/data/2012comp.html
[6] Centers for Disease Control and Prevention. "National Diabetes Statistics Report, 2014" http://www.cdc.gov/diabetes/pubs/statsreport14/national-diabetes-report-web.pdf
[7] US CENSUS BUREAU AGE AND SEX COMPOSITION IN THE UNITED STATES: 2012 http://www.census.gov/population/age/data/2012comp.html
[8] Average FMAP percentage for total US (51). Accessed: http://kff.org/medicaid/state-indicator/federal-matching-rate-and-multiplier/

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Final Estimates for Third Way

Estimated change in spending due to Diabetes Prevention Program

ARC

Table 1: Estimated change in spending due to Diabetes Prevention Program by payer
($ in billions, by fiscal year)

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2015-2024
Medicare	0.2	0.3	0.4	0.3	0.2	-0.1	-0.5	-1.2	-2.1	-3.3	-5.8
Medicaid-federal	0.1	0.2	0.2	0.2	0.1	0.0	-0.2	-0.6	-0.9	-1.4	-2.5
total federal	0.3	0.5	0.6	0.5	0.3	-0.2	-0.7	-1.8	-3.0	-4.7	-8.2
Medicaid-state	0.1	0.1	0.1	0.1	0.1	0.0	-0.2	-0.4	-0.6	-1.0	-1.7
Private health insurance	0.5	0.7	0.9	0.6	0.4	-0.2	-1.0	-2.3	-3.8	-5.9	-10.2
Out-of-pocket spending	0.1	0.2	0.2	0.1	0.1	0.0	-0.2	-0.5	-0.9	-1.4	-2.4
total-Medicare, Medicaid, PHI + OOP	0.9	1.4	1.8	1.4	0.9	-0.4	-2.2	-5.1	-8.3	-13.0	-22.5