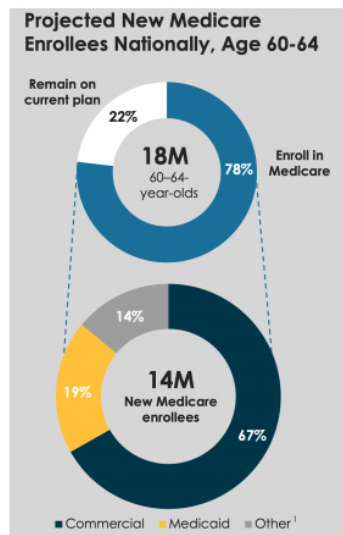


## How would “Medicare at 60” impact health system margins?

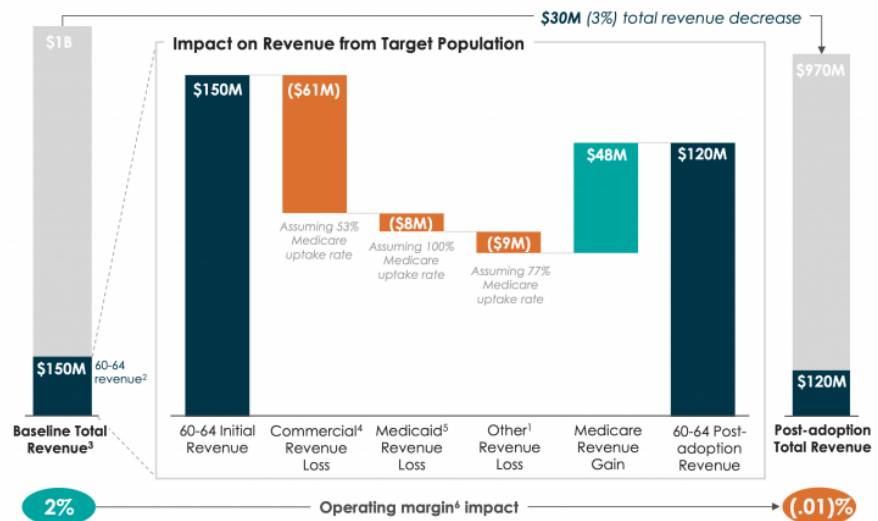
An **estimate** from the Partnership for America's Healthcare Future predicts that nearly four out of five 60- to 64-year-olds would enroll in Medicare, with two-thirds transitioning from existing commercial plans, if “Medicare at 60” becomes a reality. In the graphic below, we've modeled the financial impact this shift would have on a “typical” five-hospital health system, with \$1B in revenue and an industry-average two percent operating margin. **If just over half of commercially insured 60- to 64-year-olds switch to Medicare, the health system would see a \$61M loss in commercial revenue.** There would be some revenue gains, especially from patients who switch from Medicaid, but **the net result of the payer mix shift among the 60 to 64 population would be a loss of \$30M, or three percent of annual revenue, large enough to push operating margin into the red,** assuming no changes in cost structure. (Our analysis assumed a conservative estimate for commercial payment rates at 240 percent of Medicare—systems with more generous commercial payment would take a larger hit.) Coming out of the pandemic, hospitals face rising labor costs and unpredictable volume in a more competitive marketplace. While “Medicare at 60” could provide access to lower-cost coverage for a large segment of consumers, it would force a financial reckoning for many hospitals, especially standalone hospitals and smaller systems.

### Margin Concerns Driving Health System Opposition to “Medicare at 60”

Loss of Commercial Pricing for 60- to 64-Year-Olds Would Drive Margins Negative



### Illustrative Revenue Impact on a 5-Hospital Health System Under Medicare at 60



1. Veterans Administration, self-pay.  
2. Assumes ages 60-64 responsible for 15% of revenue.  
3. Assumes revenue is 50% inpatient, 50% outpatient.

4. Assumes Commercial-to-Medicare Fee Index of 240%.  
5. Assumes Medicaid-to-Medicare Fee Index of 70%.  
6. Assumes system costs are fixed regardless of payer mix.

Source: Chen, Lanhee, et al. "The Fiscal Costs of Medicare at 60." Partnership for America's Healthcare Future, June 2021. KFF Analysis of the IBM MarketScan Commercial Claims and Encounters Databases, 2018; Goldsmith, Jeff, et al. "Financial Impacts of Medicare Expansion Proposals on Hospitals Appear Daunting." HFMA, 8 Jan. 2019; Gisi Healthcare analysis.