



Advising the Congress on Medicare issues

The Medicare Advantage program: status report

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The Medicare Advantage program

- The Medicare Advantage program allows beneficiaries to receive their Medicare benefits through a private plan.
- MA plans paid monthly capitated amount to provide Medicare benefits
- About 24 percent of beneficiaries enrolled in MA plans in 2010

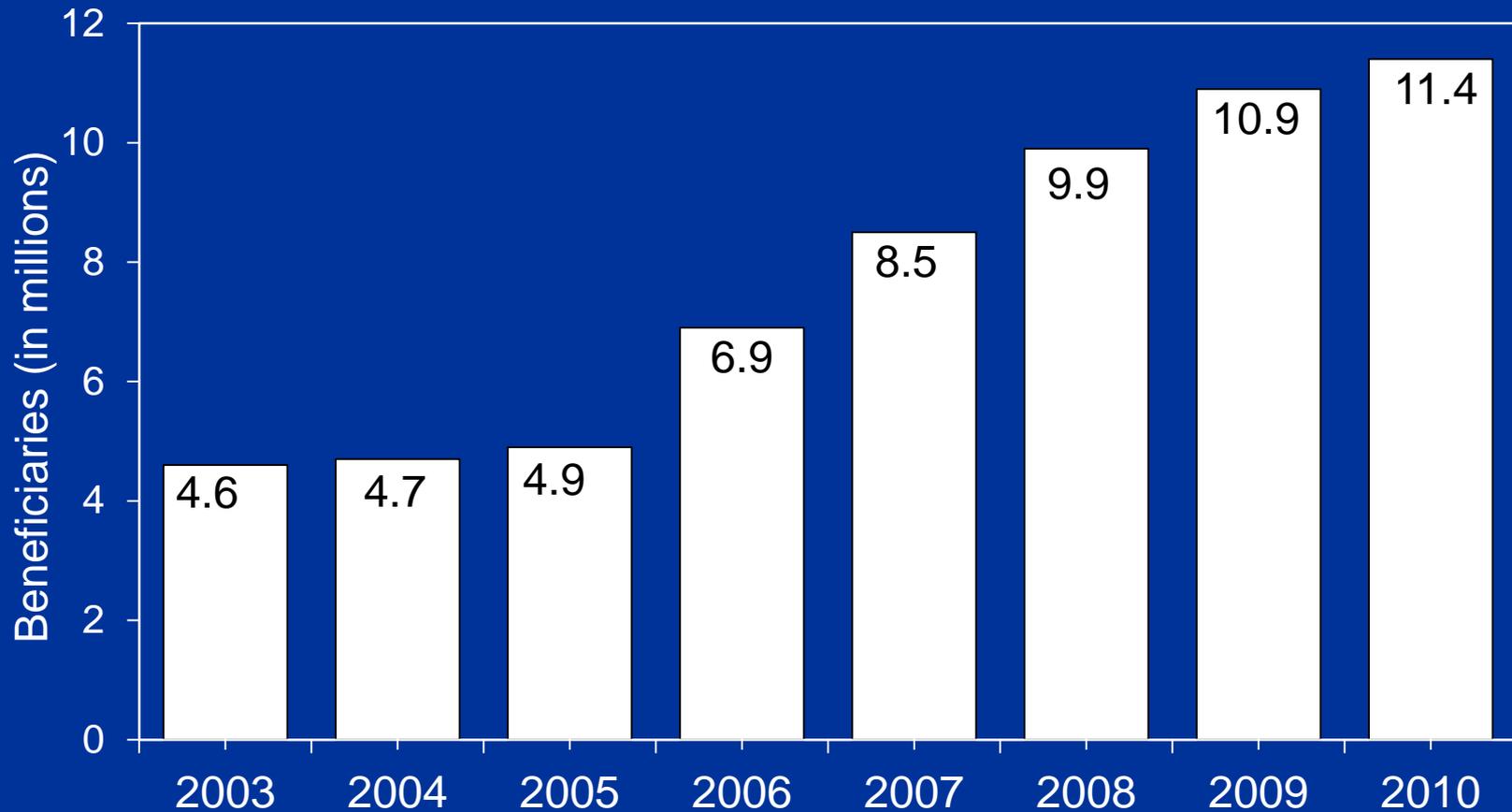
Plan types

- Coordinated care plans (CCPs)
 - HMOs
 - PPOs
 - Local PPOs
 - Regional PPOs
- Private fee-for-service (PFFS) plans
- Other categories
 - Special needs plans (SNPs)
 - Employer or union group plans (employer-group)

2011 MA plan payment policy

- Based on bids and bidding targets (benchmarks)
- If bid $>$ benchmark, program pays benchmark, enrollee pays premium
- If bid $<$ benchmark
 - Medicare keeps 25% of difference, beneficiaries get 75% as extra benefits

Enrollment in MA plans, 2003–2010



Source: CMS monthly enrollment files

Medicare Advantage enrollment 2009-2010

	2010 Enrollment / total Medicare	November enrollment		change
		2009	2010	
Total	24%	10.9	11.4	5%
Urban	26	9.6	10.0	4
Rural	15	1.3	1.4	7
Plan type				
HMO	16	7.0	7.4	6
Local PPO	3	1.0	1.4	40
Regional PPO	2	0.4	0.9	104
PFFS	3	2.4	1.6	-33

Note: PFFS (Private fee-for-service) HMO (Health Maintenance Organization) PPO (Preferred Provider Organization).
Source: MedPAC analysis of CMS enrollment data.

Percentage of Medicare beneficiaries with an MA plan available, 2005-2011

Type of plan	2005	2006	2007	2008	2009	2010	2011
Local CCP	67%	80%	82%	85%	88%	91%	92%
Regional PPO	N/A	87	87	87	91	86	86
PFFS	45	80	100	100	100	100	63
Any MA	84	100	100	100	100	100	100
Avg. number of choices	5	12	20	35	34	21	12
Zero-premium plan with drugs	N/A	73%	86%	88%	94%	85%	90%

Note: CCP (coordinated care plans), PFFS (private fee-for-service), MA (Medicare Advantage), zero premium plan (no enrollee premium beyond Medicare Part B premium).

Source: CMS website, landscape file, and plan bid submissions.

Benchmarks, bids, and payments relative to FFS for 2011

	Benchmarks/ FFS	Bids/ FFS	Payments/ FFS
All MA plans	113%	100%	110%
Plan type			
HMO	113	97	109
Local PPO	116	109	114
Regional PPO	110	104	110
PFFS	116	110	114
Restricted availability plans included in totals above			
SNP	116	104	113
Employer groups	114	108	112

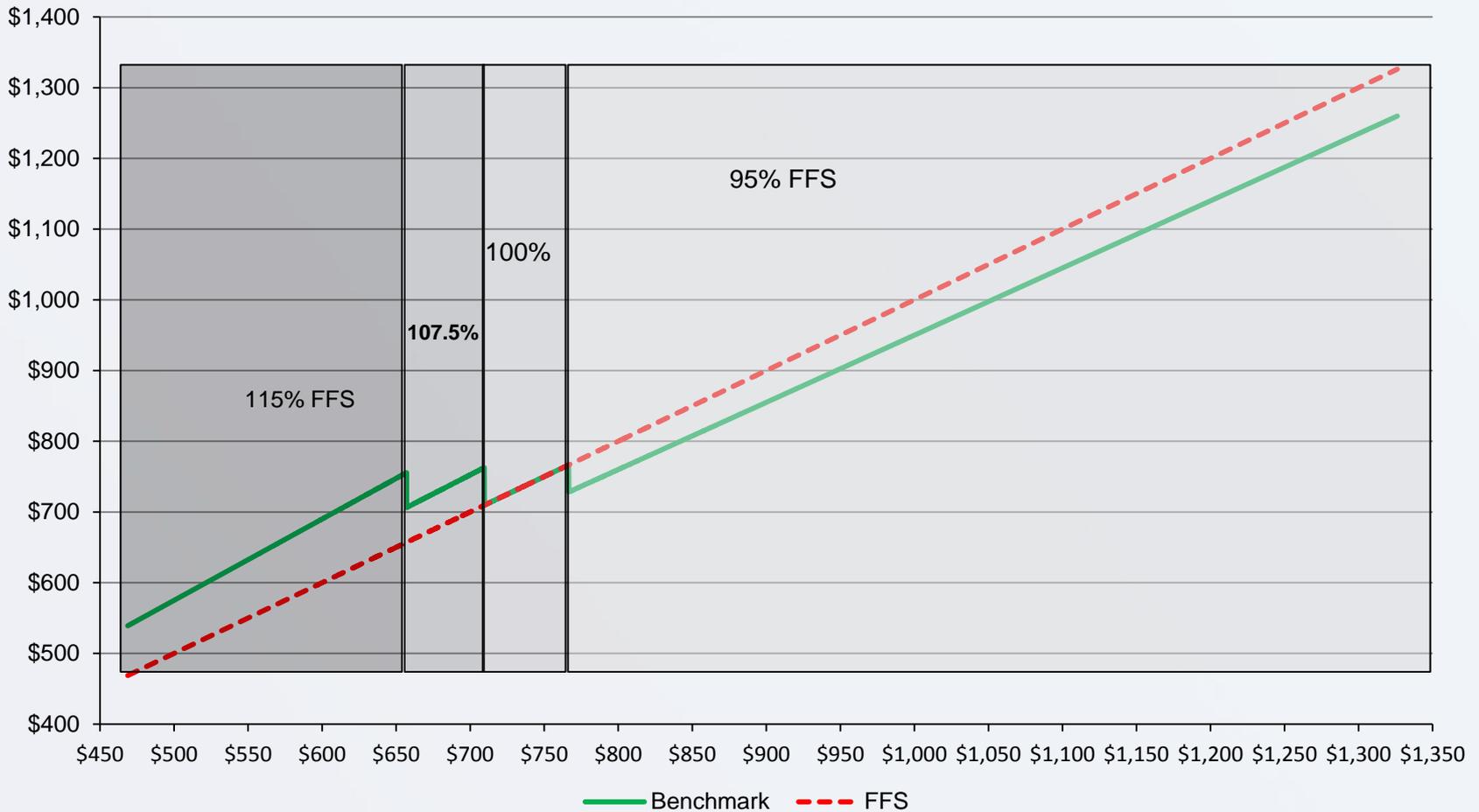
Note: MA (Medicare Advantage), PFFS (private fee-for-service), SNP(Special Needs Plan).

Source: MedPAC analysis of CMS bid and rate data.

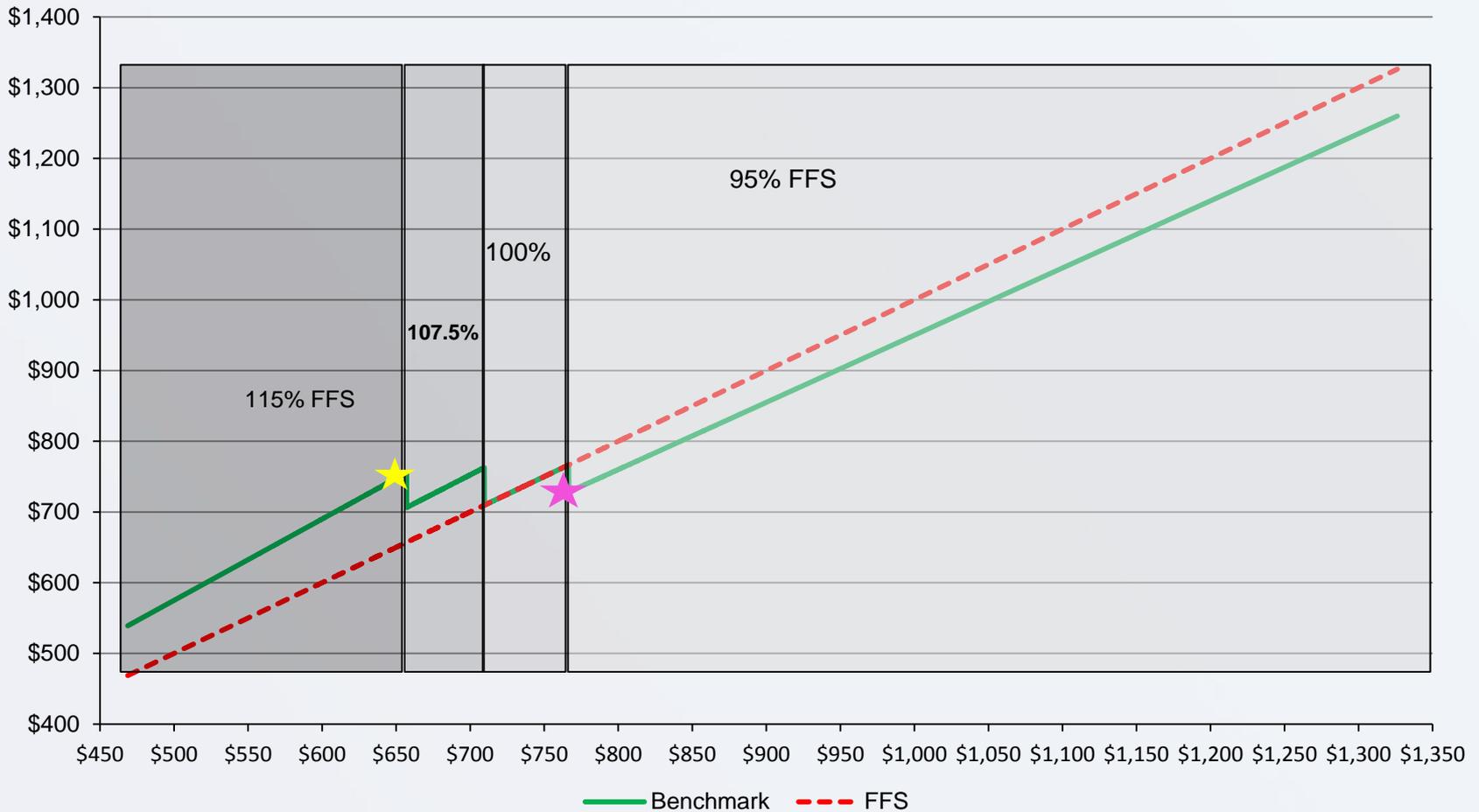
PPACA changes benchmarks

- Frozen for 2011
- Reductions phased-in completely by 2017
 - County benchmarks will range from 95% of FFS to 115% of local FFS
 - Phased in slower for counties whose rates will decline the furthest
 - Nationally: will average 101% of FFS under current enrollment patterns, down from 112% in 2010
- Quality bonus add-ons begin in 2012

Long-run benchmarks and FFS spending (using 2010 values)



Long-run benchmarks and FFS spending (using 2010 values)



Illustrative 2017 quartile rate summary based on 2010 rates and enrollment

- Quartiles have about 785 counties

	Quart. 1	Quart. 2	Quart. 3	Quart 4
Quartile FFS factor	115%	107.5%	100%	95%
FFS range	\$469- 657	\$657-710	\$710-767	\$767 -1,325
Benchmark range	\$539-756	\$706-763	\$710-767	\$728 -1,260
Percentage of Medicare Beneficiaries	15%	19%	24%	42%
Percentage of MA enrollees	16%	18%	22%	44%

Long-run benchmarks and FFS

