



Advising the Congress on Medicare issues

The Medicare Advantage program

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Today's session

- New information on plan enrollment, availability, and payments
- More focus on enhanced benefits

Medicare Advantage enrollment continues growing rapidly

	November enrollment			Enrollment / total Medicare
	2007	2008	change	
Total	8.5m	9.9m	16%	22%
Rural	1.1m	1.4m	30%	13%
Urban	7.4m	8.5m	15%	25%
Plan type				
HMO	6.1m	6.5m	7%	15%
Local PPO	0.4m	0.7m	53%	2%
Regional PPO	0.2m	0.3m	37%	1%
PFFS	1.7m	2.3m	35%	5%

Note: PFFS – Private fee-for-service

Source: MedPAC analysis of CMS enrollment data

Percentage of Medicare beneficiaries with an MA plan available, 2005-2009

Type of plan	2005	2006	2007	2008	2009
Local CCP	67%	80%	82%	85%	88%
Regional PPO	N/A	87	87	87	91
PFFS	45	80	100	100	100
Any MA	84	100	100	100	100
Avg. number of choices	5	12	20	35	34

Source: CMS website, landscape file

MA plan payment policy based on bids and benchmarks

- If bid $>$ benchmark, program pays benchmark, enrollee pays premium
- If bid $<$ benchmark
 - Medicare keeps 25% of difference
 - beneficiaries get 75% as enhanced benefits

Benchmarks, bids, and payments relative to FFS for 2009

	Benchmarks/ FFS	Bids/ FFS	Payments/ FFS
All MA plans	118%	102%	114%

Benchmarks, bids, and payments relative to FFS for 2009

	Benchmarks/ FFS	Bids/ FFS	Payments/ FFS
All MA plans	118%	102%	114%
Plan type			
HMO	118	98	113
Local PPO	121	108	118
Regional PPO	114	106	112
PFFS	120	113	118
SNP	122	99	116
Employer-only	117	109	115

Note: SNP – Special needs plan

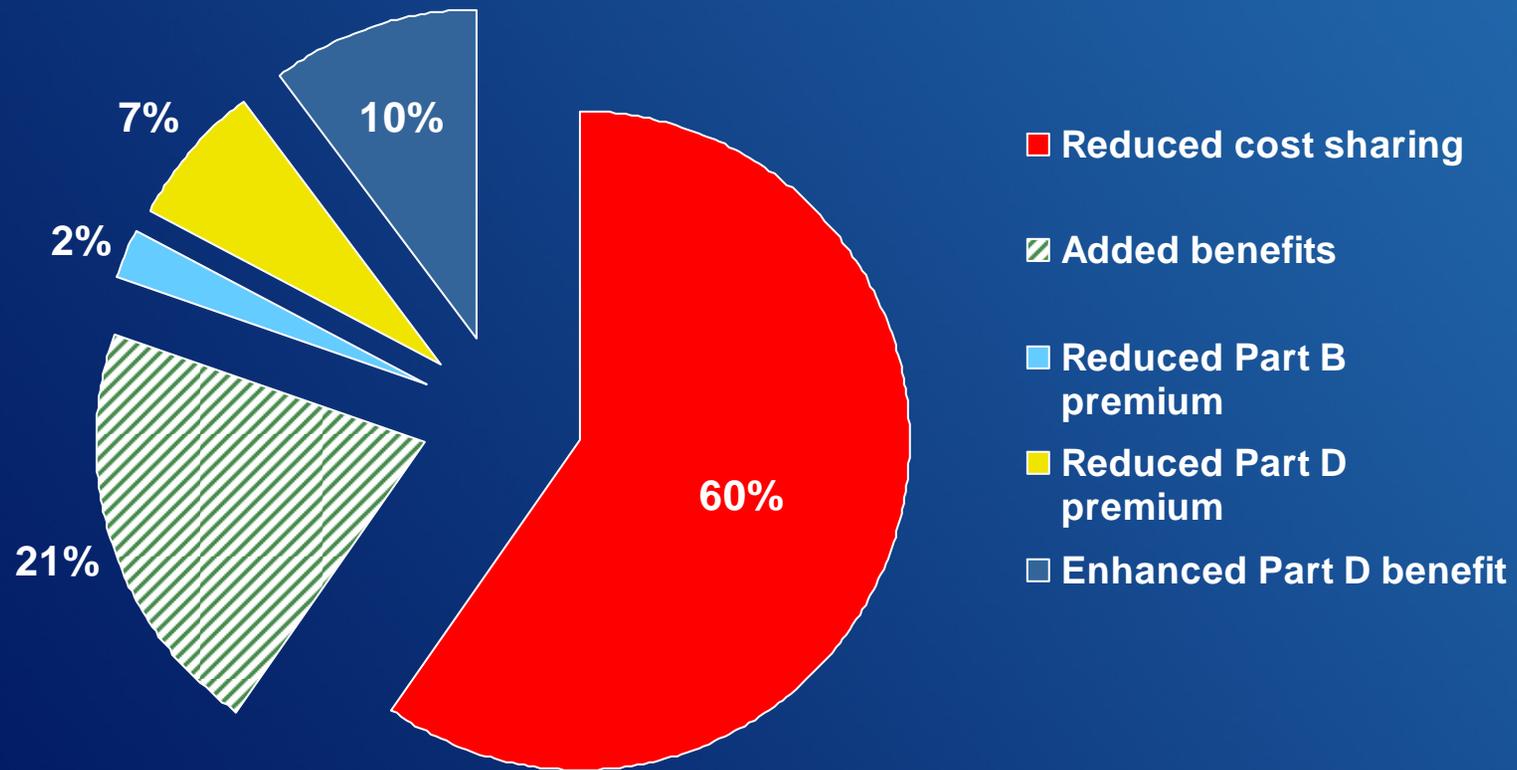
Source: MedPAC analysis of CMS bid and rate data

Current benchmark-setting can only raise benchmarks relative to FFS

- Increase in county benchmark is higher of
 - National growth rate
 - County growth rate
- County growth can vary from year-to-year
- A single year of high growth can raise benchmark permanently

Reduced cost sharing comprises the greatest share of enhanced benefit dollars when bids are below benchmarks

Distribution of benefit enhancement dollars by type of benefit, all MA plans, 2009



NOTE: Data are reported on an enrollment-weighted basis using plans' projections of enrollment.

Value of benefit enhancement in relation to payments is much higher in HMOs than in PFFS plans

Values as percent of FFS, weighted by 2009 projected enrollment

Plan type	Benchmark	Bids (with "load")	Payment	Payment less bid (to be used for benefit enhancement)	Benefit enhancement (dollars per member per month—including "load")
All	118%	102%	114%	12%	\$89
HMO	118	98	113	15	115
LPPO	121	108	118	10	65
RPPO	114	106	112	6	44
PFFS	120	113	118	6	40

- *In HMOs, 87 percent of the enhancement is financed by Medicare program dollars.*
- *In PFFS plans, enhancement of the benefit is financed entirely by Medicare program dollars.*

NOTE: Figures may not sum due to rounding. LPPO is local PPO. RPPO is regional PPO.

Source: MedPAC analysis of plan bid data.

Payments above FFS and value of enhanced benefits, 2009

Plan type	Dollar amount of payment above FFS, pm/pm	Value of enhanced benefit pm/pm		
		Value	Value adjusted for load	Cost per dollar of enhanced benefits
All	\$103	\$89	\$79	\$1.30
HMOs	99	115	102	\$0.97
LPPO	111	65	58	\$1.91
RPPO	87	44	39	\$2.23
PFFS	114	40	35	\$3.26

NOTE: Pm/pm is per member per month. LPPO is local PPO. RPPO is regional PPO.

Source: MedPAC analysis of plan bid data.

Commission recommendations on MA— June 2005 report to the Congress

- **The Congress should:**
 - *Eliminate the stabilization fund for regional PPOs.*
 - *Remove the effect of payments for indirect medical education from the MA plan benchmarks.*
 - **Set the benchmarks that CMS uses to evaluate MA plan bids at 100 percent of FFS costs.**
 - **Pay-for-performance should apply in MA to reward plans that provide higher quality care.**
 - **Clarify that regional plans should submit bids that are standardized for the region's MA-eligible population.**
- **The Secretary should calculate clinical measures for the FFS program that would permit CMS to compare the FFS program with MA plans.**