Possible impacts of premium support

Amy Phillips
Scott Harrison
Eric Rollins

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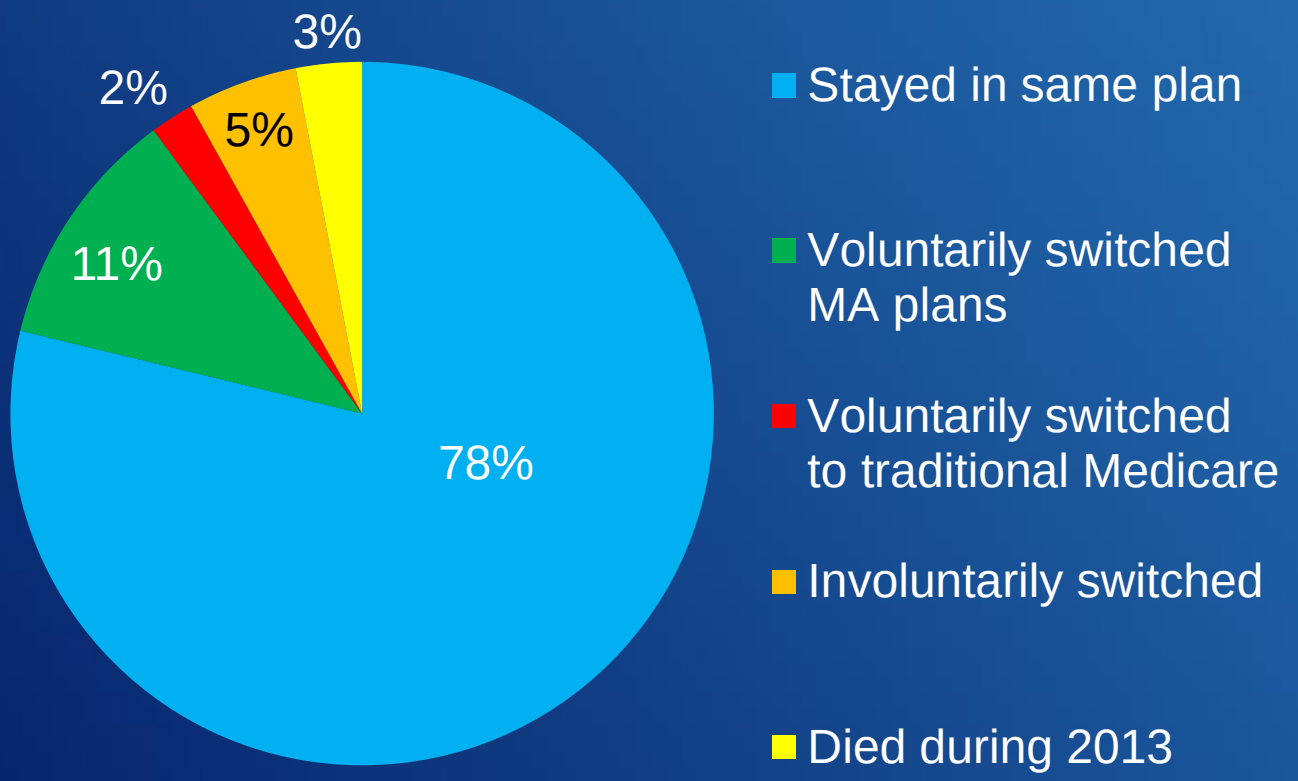
MEDPAC

Outline

- Beneficiary impacts
  - Lessons from Medicare Advantage
  - Lessons from Part D
  - Communicating information to beneficiaries
- Plan impacts
- Potential shifts in FFS and plan enrollment

Medicare Advantage plan switching 2013-2014

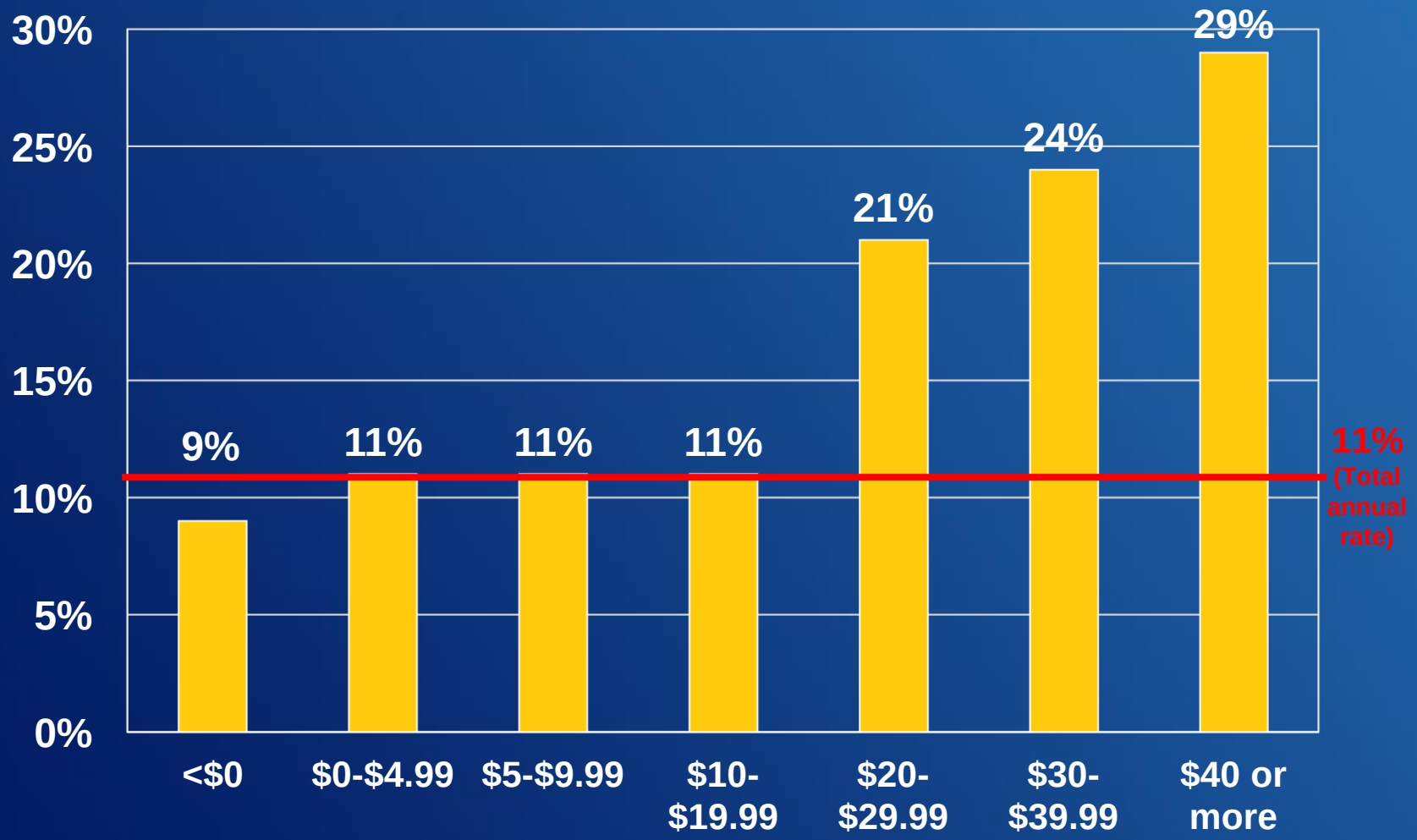


*Data from Henry J. Kaiser Family Foundation analysis, September 2016

Beneficiary switching characteristics

- Beneficiaries in MA plans switch (9%) at rates relatively similar to those in PDPs (13%), but at lower rates than those enrollees in the PPACA Marketplace (43%).
- Switching rates are somewhat higher among beneficiaries aged 65-75 (12%) compared to those aged 85 and older (7%).
- Most likely to switch from MA to traditional Medicare were high-need, high-cost patients (McWilliams 2012) (Newhouse 2012) (MedPAC 2012).
- Beneficiaries consider: premiums and out of pocket costs, doctor participation, access to certain hospitals and cancer treatment centers, access to pharmacies and physicians closest to their homes, and brand recognition.

Share of Medicare Advantage enrollees voluntarily switching plans, by change in premiums, 2013-2014



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Lessons from Medicare Advantage

- Roughly the same percentage of beneficiaries shifts between MA and traditional Medicare each year (2-3%).
  - In 2012, 1.6 million beneficiaries newly enrolled in MA
    - ~600,000 (37.5%) were new Medicare beneficiaries.
    - ~1 million (62.5%) switched in from FFS (MedPAC, 2015).
- Share of beneficiaries switching plans within MA has been about the same → 9% annually (2007-2013) (KFF, 2016).
  - Between 2013 and 2014, switching beneficiaries saved an average of $210 per year (KFF, 2016).
  - Switching rates increased after a few years of beneficiary enrollment in traditional Medicare.

Lessons from Part D

- During the first few years, the majority of beneficiaries remained with the plan they selected in the Part D program's first year (Hoadley 2008).
- Between 2010 and 2011 →13% switching rate for enrollees in PDPs and enrollees in MA-PDs (MedPAC 2013).
- From 2009-2010, PDP voluntary switchers decreased out-of-pocket spending by an average of $32 per year (MedPAC 2013).
- Beneficiaries take into consideration switching costs other than monetary costs.

Beneficiary information

- Medicare Compare and Medicare Plan Finder
  - Number of plans – limit to those with meaningful differences
  - Standardization
    - Language/vocabulary
    - Comparison tools
- SHIPs

Plan behavior – new rules will affect participation decisions

- New plan rules
  - Bids matter
  - New payment areas
  - Basic and enhanced plans
  - Limits on numbers of plans
- Increase in the size of the market for plans

Plan behavior – more focus on competitive bidding

- MA market competition focuses on extra benefits rather than lower bids/premiums
- Bids can be pressured with lower benchmarks
  - In 2011 MA benchmarks set at 113 percent of FFS, bids average 99 percent of FFS
  - In 2017 MA benchmarks set at 106 percent of FFS, bids average 90 percent of FFS

Beneficiary premiums for current MA system and premium support (PS) system

	FFS	Plan A	Plan B	Plan C	Plan D	Plan E
Plan (or FFS) Bid	$800	$680	$710	$740	$770	$800
Current base prem.	125	125	125	125	125	125
Current plan prem.	0	0	0	0	0	0
Premium beneficiary sees on Compare	0	0	0	0	0	0
PS base premium	125	125	125	125	125	125
PS plan premium	60	-60	-30	0	30	60
Premium beneficiary sees on PS Compare	185	65	95	125	155	185

Note: base premium is set at $125 per month nationally. Current benchmark in this example is set at the FFS bid ($800). Premium support (PS) benchmark is set at lower of FFS or median plan bid ($740).

CBO estimated impacts on plans (2013)

- Lower bids – low single-digit percentage decrease
- Lower plan margins
- A decrease in Medicare FFS enrollment
- Concern about plan ability to obtain Medicare FFS provider prices

Illustrative framework for setting benchmarks and premiums

- FFS program treated like a competing plan
- Competitive bidding used to set benchmarks
- Bidding process uses geographic areas that reflect local health care markets
- Benchmark equals lower of FFS bid or median plan bid
- Beneficiary premiums equal a standard base amount plus any difference between the plan's bid and the benchmark

Distribution of FFS and MA enrollment, by type of market area

Enrollment in 2016, shown in millions	Number of areas	Total enrollees	FFS enrollees	MA enrollees
Total, all market areas	1,231	54.5	37.1	17.4
Market areas without qualifying MA plans	208	1.3	1.2	0.1
Market areas where FFS costs less than the median MA plan:				
FFS is lower by $0 to $50	295	10.7	7.3	3.4
FFS is lower by $51 to $100	185	4.7	3.3	1.3
FFS is lower by $101 or more	51	1.3	0.9	0.5
Subtotal	531	16.7	11.5	5.2
Market areas where FFS costs more than the median MA plan				
FFS is higher by $0 to $50	223	13.0	8.7	4.3
FFS is higher by $51 to $100	146	6.8	4.9	1.8
FFS is higher by $101 or more	123	16.7	10.8	6.0
Subtotal	492	36.5	24.4	12.1

Note: Figures are preliminary and subject to change

Potential impact of premium support would vary across market areas

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Possible overall impact on FFS and plan enrollment

- Could see ~15 million FFS enrollees switch to plans and ~2 million MA enrollees switch to FFS
- Roughly 55 percent of all beneficiaries would be in a plan
- These are rough approximations with very little predictive value
  - Premium support model would need to be specified in much greater detail
  - Inherently difficult to fully anticipate how behavior of beneficiaries and plans might change

For discussion

- Are there any additional potential impacts that you think we need to address in the June chapter?