Medicare managed care topics

Scott Harrison and Kim Neuman

November 8, 2013

MEDPAC

Two topics

- Employer-group MA plans bid differently than non-employer plans
- The Medicare hospice benefit is not included in MA plan benefit packages

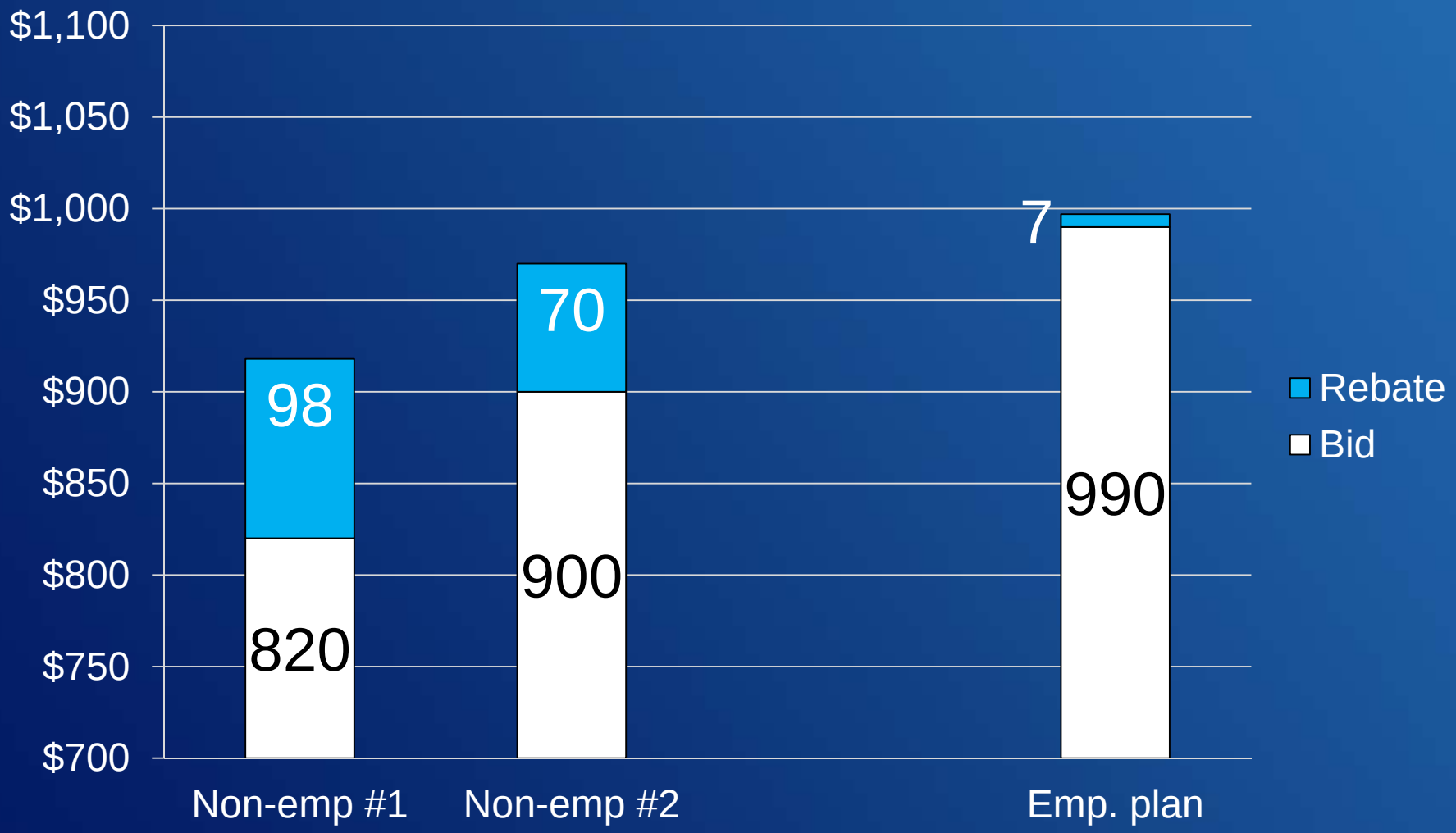
The Medicare Advantage program

- 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 28 percent of beneficiaries enrolled in MA plans in 2013

MA plan payment policy

- Payments based on bids, bidding targets (benchmarks), and quality scores
- Benchmarks under PPACA range from 115% of FFS in lowest-FFS counties to 95% of FFS in highest-spending counties, phased-in by 2017
- If bid > benchmark, program pays benchmark, enrollee pays premium
- If bid < benchmark, plans get a percentage of the difference as a “rebate” for extra benefits, Medicare keeps the rest of the difference
- Rebate percentages for 2014 range from 50% for plans with the lowest quality indicators to 70% for plans with the highest quality indicators

Bidding incentives different for employer-group plans (assume $1000 benchmark)



Comparison of employer-group and non-employer plans (from bids submitted in 2012)

	Employer-group plans	Non-employer plans
Median bid/benchmark	0.99	0.86
Average MA bid/FFS spending	1.06	0.94
Average MA payment/FFS spending	1.08	1.03

Source: Plan bids for 2013 submitted to CMS in 2012
Note: Bids are risk-adjusted and weighed by projected plan enrollment.
Findings previously reported in MedPAC's March 2013 Report to the Congress

Options for changing payments to employer-group plans

- Goal: Reliable basis for setting payments to employer-group plans
- Options:
  - Limit payments to employer-group plans in each county to the average payment to non-employer plans in the county
  - Set employer bid to benchmark ratio equal to nationwide non-employer ratio

Hospice background

- Hospice provides palliative and supportive services for beneficiaries with a life expectancy of 6 months or less
- When beneficiaries elect hospice, they agree to forgo "curative" care for their terminal condition
- Medicare FFS pays hospice providers a per diem for care associated with the terminal condition and related conditions
- ~49% of MA decedents and ~44% of FFS decedents used hospice (2011 data)

Hospice carve-out from MA

- MA enrollees who elect hospice remain in the plan, but hospice is paid for by Medicare FFS
- Government payment to MA plan is reduced and beneficiary premium is unchanged
- Rationale for carve-out is not fully known
- Most private insurers include hospice in their benefits package

Differences in financial accountability across and within systems

- MA differs from FFS and ACOs in terms of financial responsibility for hospice
  - FFS pays for hospice
  - ACO benchmarks include hospice
  - MA benchmarks and capitation payments exclude hospice
- Within MA, financial responsibility for end-of-life care is uneven across beneficiaries, depending on whether they elect hospice

Coverage rules for MA-PD enrollees who elect hospice are fragmented

	FFS	MA –PD
Prior to hospice enrollment		• All Part A, B, and D services, and any supplemental benefits
MA-PD enrollee elects hospice	• Hospice • Part A and B services unrelated to the terminal condition	• Part D drugs unrelated to terminal condition • Any supplemental benefits (e.g., reduced cost-sharing)
MA-PD enrollee disenrolls from hospice	• Until the end of the month, all Part A and B services	• All Part D drugs • Any supplemental benefits (e.g., reduced cost sharing) • Beginning the next month after disenrollment, Part A and B services

Potential policy option

- A policy option that could be considered is including hospice in MA

- If hospice was rolled into the MA capitation like other services:
  - MA base capitation rate would increase
  - Plan payment rate for an individual beneficiary would not depend on whether that beneficiary elected hospice
  - MA risk scores would be recalculated to include hospice costs

Potential implications of including hospice within MA

- Promote coordination and care management
- Plans could offer concurrent care they if wished to do so
- MA enrollees may have a smaller number of providers to choose from than FFS
- Administrative costs for plans and hospice providers to negotiate contracts
- Synchronize Medicare policy across delivery systems

Next steps

- Employer-group MA plan payments
- Hospice carve-out from MA