

Medicare Advantage program: Status update, and employer bid and hospice policies

Scott Harrison, Kim Neuman, and Carlos Zarabozo
January 16, 2014

Summary of Medicare Advantage (MA) landscape

- Record high enrollment in 2013
 - 14.6 million enrollees (28% of all Medicare)
- Plans available to virtually all beneficiaries in 2014
- Average 2014 benchmarks, bids, and payments are 112%, 98%, and 106% of FFS
- Quality indicators mostly stable, some improving

Employer-group plans bid process is not competitive

- Nonemployer MA plans attract enrollment with lower bids and extra benefits through rebates
- Employer group plans do not attract enrollment through bids (median employer-plan bid is 99 percent of benchmark)
- Employer plan bidding serves to maximize Medicare revenue and potentially cross-subsidize employer costs
- Policy: create a market based bid for employer-plans based on nonemployer bids

Policy design discussions

- Initial discussion centered around using the national nonemployer bid-to-benchmark ratio (0.86) to set employer bid
- Discussed industry suggestion to use separate ratios by plan type (e.g. HMO—0.84: PPO—0.93)
- Concerns raised
 - Precedent – paying differently by plan type
 - Less pressure to move to most efficient plans
 - Disadvantage some plan types in market

Employer-group plan option

- Calculate one national bid-to-benchmark ratio for non-employer plans
- Apply ratio to each employer-group plan's county-based benchmark to arrive at "bid"
- Add resulting quality-based rebate dollars
- "Bid"+rebate= Total amount employer-plans would be paid by Medicare

Hospice carve-out from MA

- Hospice carve-out from MA:
 - fragments financial responsibility and accountability for care
 - results in confusing coverage rules for MA enrollees
 - makes MA plans' financial responsibility for end-of-life care uneven across their enrollees
- In contrast to MA:
 - FFS pays for hospice and ACOs have financial accountability for hospice
 - Most private insurers include hospice in their benefits package

Including hospice in the MA benefits package

- If hospice were included in the MA benefits package:
 - MA plans would be better positioned to integrate and coordinate care
 - Plans could offer concurrent care as a supplemental benefit if they wished to do so
- Operational features of proposed policy
 - Full hospice benefit would be included in the MA benefits package
 - Base capitation rate in MA would increase to reflect responsibility for a broader set of services
 - Risk scores would be recalculated