



*Advising the Congress on Medicare issues*

# The Medicare Advantage program: status report

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# The Medicare Advantage program

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- 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 25 percent of beneficiaries enrolled in MA plans in 2011

# Plan types

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- 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)

Note: HMO (Health Maintenance Organization ) PPO (Preferred Provider Organization

# MA plan payment policy

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- Payments based on bids, bidding targets (benchmarks), and quality scores (beginning in 2012)
- If bid  $>$  benchmark, program pays benchmark, enrollee pays premium
- If bid  $<$  benchmark - beneficiaries get a percentage of the difference as a “rebate” for extra benefits, Medicare keeps the rest of the difference.

# Medicare Advantage enrollment 2010-2011

	2011 Enrollment / total Medicare	November enrollment		change
		2010	2011	
Total	<b>25%</b>	<b>11.4</b>	<b>12.1</b>	<b>6%</b>
HMO	16	7.5	8.0	7
Local PPO	5	1.4	2.3	65
Regional PPO	2	0.9	1.2	34
PFFS	1	1.7	0.6	-64
Urban/rural areas				
Urban	26	10.0	10.6	6
Rural	14	1.4	1.5	5

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, 2005-2012

Type of plan	2005	2007	2010	2011	2012
Local CCP	67%	82%	91%	92%	93%
Regional PPO	N/A	87	86	86	76
PFFS	45	100	100	63	60
Any MA	84	100	100	100	100
Avg. number of choices	5	20	21	12	12
Zero-premium plan with drugs	N/A	86%	85%	90%	88%

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 2012

	Benchmarks/ FFS	Bids/ FFS	Payments/ FFS
All MA plans	112%	98%	107%
HMO	112	95	106
Local PPO	114	108	113
Regional PPO	107	100	105
PFFS	112	106	110
Restricted availability plans included in totals above			
SNP	114	101	110
Employer groups	114	108	113

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

Source: MedPAC analysis of CMS bid and rate data.

# Direction of enrollment and payment trends

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- Continued and projected steady growth in HMO enrollment
- Bids lower relative to FFS
- Payments (including quality bonuses) closer to FFS
- Extra benefits provided by plans stable



# Recent quality indicators in MA

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- Clinical process and outcome measures show improvement over 2010 results
- HMOs and local PPOs perform better than regional PPOs and PFFS
- Vaccination rates (influenza, pneumonia) improved in both MA and FFS and are comparable
- SNPs and newer plans generally have lower levels of performance

# Bonus payments begin in 2012

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- MA bonuses in 2012 based on 2011 star ratings (rated as 1 to 5 stars)
- CMS implementing through MA-wide demonstration project
- In demo, lower-rated plans (3 stars and above) eligible for bonuses—93 percent of enrollees will be in bonus plans versus 25 percent absent demo
- Bonus payments in demo are 3% to 5% increase in benchmark versus 1.5% for 4-5-star plans in statute
- Demo provisions add \$2.8 billion in program costs in 2012

# Changes to star system for MA bonuses (effective for 2013 payment)

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- Commission commented that 2011 star system placed too much emphasis on contract performance measures rather than clinical measures
- CMS addressed concern: majority of star rating based on clinical measures, and primarily outcome measures

# Discussion

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- Comments on the draft chapter
- Additional information to include
- Questions