The Future of Medicare Advantage: Are We on the Right Path?

Alliance for Health Care Reform Briefing
June 10, 2013

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Current Landscape
Collectively, Blue Plans are second in the market

*Aetna and Coventry are in the process of merging with regulatory approval expected mid-2013; Sources: Jan. 2013 CMS data
Value of Medicare Advantage

• Offers integrated benefits that coordinate care across system
  – Leverage private market cost/quality strategies
  – Focus on patient coordination – care/case management
  – Pay providers for quality performance
• Greater emphasis on primary care
• Protects beneficiary from high out-of-pocket costs
  – Annual out-of-pocket maximum (no OOP max in traditional Medicare)
• Provides benefits not covered in traditional Medicare
• Serves many low-income and minority beneficiaries
  – 41% have incomes of $20,000 or less
  – 31% of African-American, 38% of Hispanic Medicare beneficiaries enrolled in MA

High satisfaction; better quality care

Peer Review Studies Show MA Value

• 13-20% fewer hospital readmissions than Medicare FFS (AJMC, 2012)
• Increased primary care visits, lower hospital admissions, 19% fewer hospital days, and 28% fewer readmissions for diabetics in special needs plans (Health Affairs, 2012)
• Outperformed Medicare FFS in 9 out of 11 clinical quality measures (AJMC, 2010)
• Reducing racial/ethnic disparities in preventable hospitalizations/ improvement in primary care (Health Care Management Science, 2011)
• Greater MA penetration results in a decline in community hospital costs – the “spill-over effect” (National Bureau of Economic Research, 2013)
Blue MA Plans Showing Great Results

- BCBS of Massachusetts:
  - “Safe Return Program”: more (41%) went directly home from the hospital after knee/hip replacement with focused care management
  - Lower readmission rates: 13% for HMO members; 11% for PPO members compared to 19% and 22% for FFS patients
- Highmark provides specialized end-of-life visits/support for those who have advanced illnesses to help patients/families
- WellPoint:
  - Identifies high risk members to drive down hospital admissions, readmissions, and SNF utilization. Examples:
    - ESRD patients: 50% reduction in hospital admissions rate; 42% fewer than national average
    - Congestive heart failure patients: 56% reductions in hospital admissions
    - Hypertension patients: 48% significant drop in blood pressure with interventions

Significant MA Cuts Being Phased In

Estimated ACA MA direct funding reduction, 2013-2022 ($ billion)

Source: CBO Letter to the Honorable John Boehner (July 24, 2012)
Other MA Funding Cuts

- Indirect cuts represent additional significant reductions
  - Due to linkage of MA benchmarks and Medicare FFS spending
  - For example, CBO estimated ACA FFS changes indirectly cut MA by $70 B over 10 years
- $2 billion cut included in 2012 “fiscal cliff” deal
- 2% reduction in CMS MA payments in 2013 due to sequestration
- New 85% MLR starting in 2014
Take Aways

- MA plans are committed to serving beneficiaries and developing innovations to improve quality/rein in costs
- Already scheduled funding cuts likely to lead to increased costs and reduced benefits/access for beneficiaries