



**BlueCross
BlueShield
Association**
An Association of Independent
Blue Cross and Blue Shield Plans

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

Alliance for Health Care Reform Briefing
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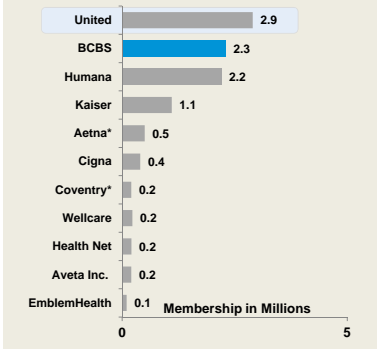
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Current Landscape

Collectively, Blue Plans are second in the market

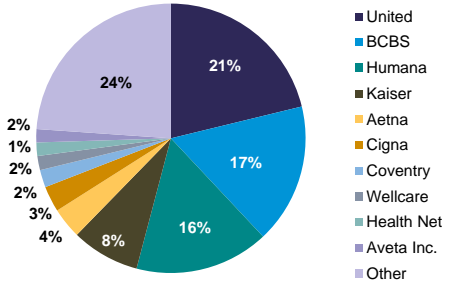
Top Medicare Advantage Players

Market Size: 13.9M



Company	Membership (Millions)
United	2.9
BCBS	2.3
Humana	2.2
Kaiser	1.1
Aetna*	0.5
Cigna	0.4
Coventry*	0.2
Wellcare	0.2
Health Net	0.2
Aveta Inc.	0.2
EmblemHealth	0.1


Market Share of Top Medicare Advantage Players



Company	Market Share (%)
United	21%
BCBS	17%
Humana	16%
Kaiser	8%
Aetna	4%
Cigna	3%
Coventry	2%
Wellcare	2%
Health Net	1%
Aveta Inc.	1%
Other	24%

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

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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

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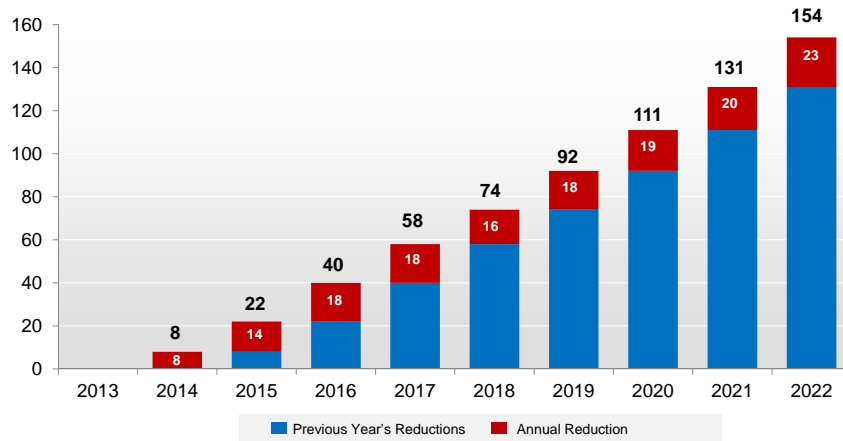
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Significant MA Cuts Being Phased In

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



Source: CBO Letter to the Honorable John Boehner (July 24, 2012)

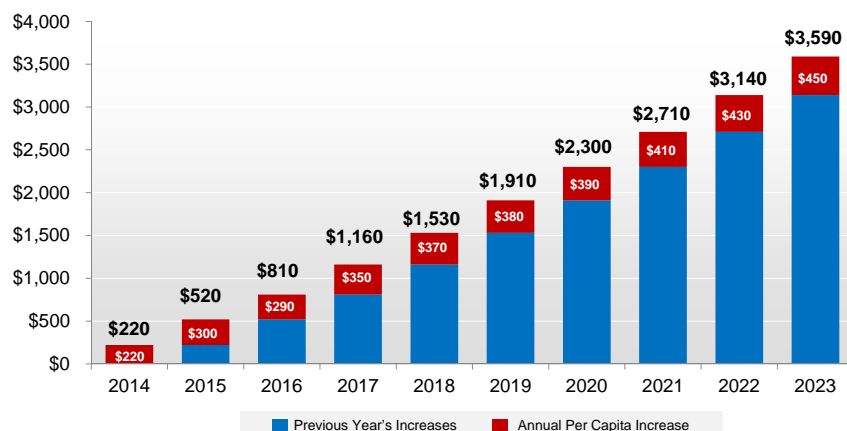
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ACA Health Insurance Tax Costly to MA



Source: Oliver Wyman Study, October 2011

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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

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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