



Advising the Congress on Medicare issues

Medicare Advantage

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Medicare Payment Advisory Commission

- Independent, nonpartisan, Congressional support agency
- 17 national experts selected for expertise, not representation
- Appointed by Comptroller General for 3-year terms (can be reappointed)
- Make recommendations to the Congress and the Secretary of HHS
- Vote on recommendations in public

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Examples of bids in one county

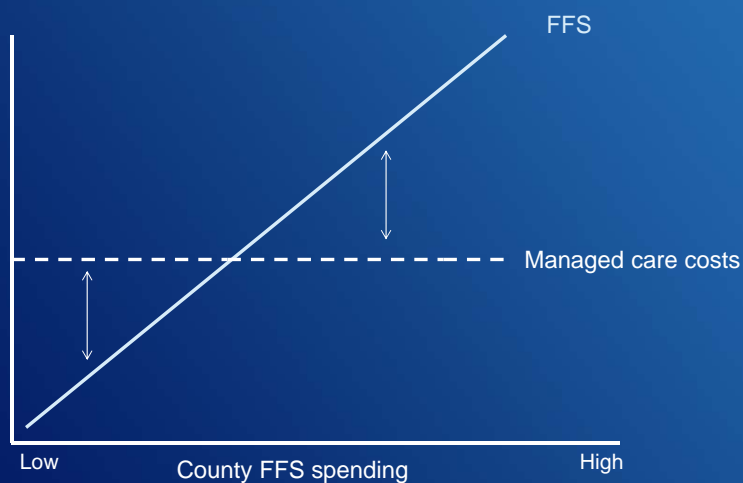
Plan A	Plan B
Benchmark: \$800	Benchmark: \$800
Bid: \$700	Bid: \$840
Rebate: \$75 (75/25)	Rebate: \$0
Medicare pays: \$775 Beneficiary pays: \$0	Medicare pays: \$800 Beneficiary pays: \$40
Extra benefits to enrollee: \$75	Extra benefits to enrollee: \$0

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Note: Assumes plans with 75% rebates.

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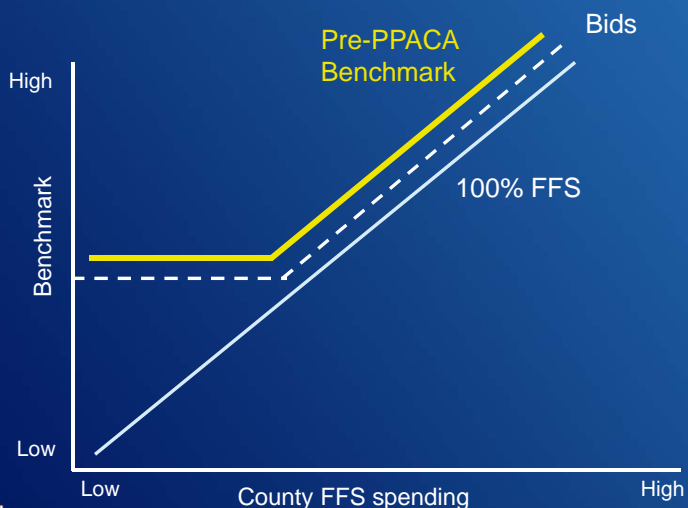
FFS spending and managed care costs



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Pre-PPACA benchmarks



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Effects of pre-PPACA benchmark system

- Higher program costs- every beneficiary enrolled in MA was a net cost to tax payers and beneficiaries
- Plans provided extra benefits as a result of subsidies, not plan efficiency
- Rapid growth in low-value plans- growth in plans that explicitly did not “manage” care (e.g., PFFS)

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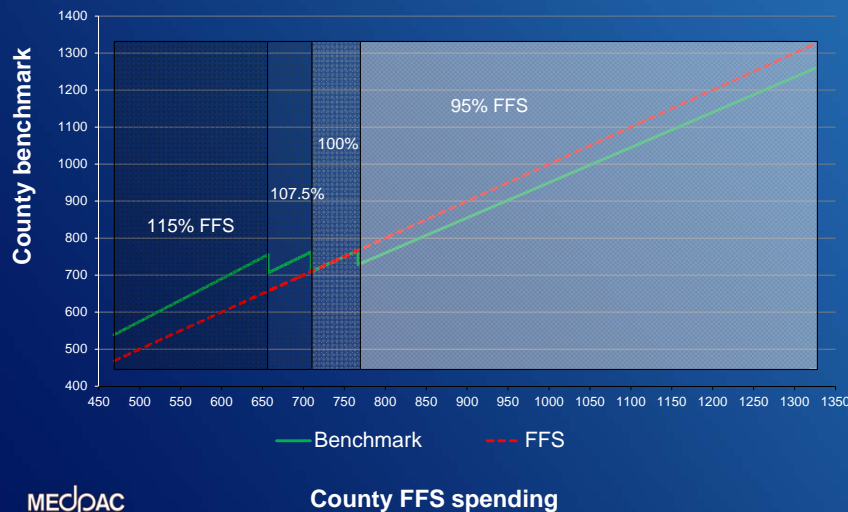
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MedPAC recommendations

- Financial neutrality between FFS and MA
 - \$150 billion savings over 10 years in 2010
- Quality bonus payments to higher performing plans (budget neutral)

Long run: measure MA and FFS quality on a comparable basis and make quality payments appropriately

Benchmarks under PPACA



Quality incentive payments under PPACA

- Bonuses for better-performing plans in the form of increased benchmarks
- Rebate dollars vary by star ratings
- Rebates for plans (in 2014):
 - below 3.5 stars, 50%
 - 3.5 or 4 stars, 65%
 - 4.5 or 5 stars: 70%
- MedPAC concerns (comment letter, January 2011)