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
### Examples of bids in one county

<table>
<thead>
<tr>
<th>Plan A</th>
<th>Plan B</th>
</tr>
</thead>
<tbody>
<tr>
<td>Benchmark: $800</td>
<td>Benchmark: $800</td>
</tr>
<tr>
<td>Bid: $700</td>
<td>Bid: $840</td>
</tr>
<tr>
<td>Rebate: $75 (75/25)</td>
<td>Rebate: $0</td>
</tr>
<tr>
<td>Medicare pays: $775</td>
<td>Medicare pays: $800</td>
</tr>
<tr>
<td>Beneficiary pays: $0</td>
<td>Beneficiary pays: $40</td>
</tr>
<tr>
<td>Extra benefits to enrollee: $75</td>
<td>Extra benefits to enrollee: $0</td>
</tr>
</tbody>
</table>

Note: Assumes plans with 75% rebates.

### FFS spending and managed care costs

![Graph showing FFS spending and managed care costs](image)

- FFS
- Managed care costs
- County FFS spending
- Low
- High
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)
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

[Graph showing benchmarks and county spending]
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)