



Medicare Part C: Just the Basics

Alliance for Healthcare Reform
May 16, 2005

Linda E. Fishman
Director
CMS Office of Legislation



Private Plans in Medicare

- MA Local Plans (Coordinated Care Plans – CCPs)
- County-based service areas
- Types of Plans: HMO, PPO, Provider-sponsored Organizations (PSO), Cost, Private Fee-for-Service (PFFS), Medical Savings Accounts (MSA)
- Coming Attractions: Regional PPOs, & Special Needs Plans (SNPs)
- Supplemental (Medigap) Plans



A Little Bit of History

Private plans are not new in Medicare:

- 1971 HMO Act allowed development of cost-based plans
- 1982 TEFRA facilitated HMO/HCFA risk contracting
- 1997 BBA created Medicare+Choice (more plan choices through open enrollment process)
- 2003 MMA replaces M+C with Medicare Advantage (more choices including Part D prescription drugs)



Enrollment & Participation

- Peak enrollment 6.4 beneficiaries in CCPs in 1999
- Declines in plan participation and enrollment 2000-2004
- Trend is up in 2005
- “Robust” outlook in 2006
- Local PPO Moratorium: No new MA local plans in 2006 & 2007



What do Medicare Advantage Plans Offer?

- Provide the full package of Medicare Part A and B benefits
- May offer additional benefits to beneficiaries
 - May charge additional premiums or
 - May offer additional benefits, lower premiums or contribute to reserve fund
- Goals:
 - Maximize plan choices, esp. in rural areas
 - Offer better benefits for lower costs
 - Introduce more competition into Medicare managed care



How are Medicare Private Plans Paid?

- Monthly prospective payments for each plan enrollee in a payment area (county)
- BBA 1997 broke direct link to county level FFS spending
- Payments adjusted for health status (risk adjustment)



What Changes did MMA Make?

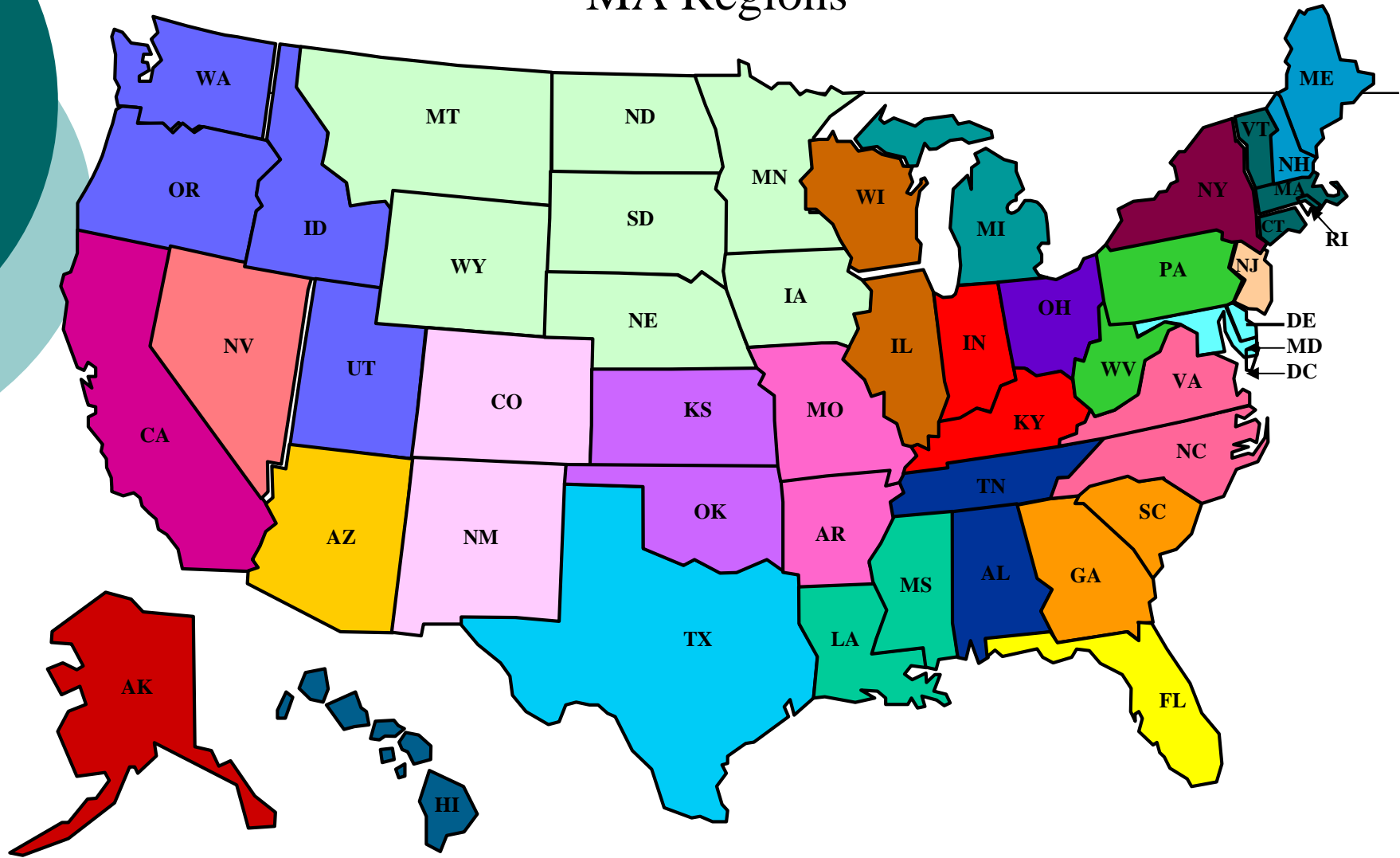
- Adds access to a Medicare Part D prescription drug plan in 2006
- Introduces regional private plans (PPOs) and special needs plans (SNPs)
- Changes payment system immediately (March 2004) with additional changes in 2006
- Creates 6-year Comparative Cost Adjustment (CCA) program in 2010



MA Regional Plans

- 26 PPO Regions
- Service area is entire region
- Provide coverage for Medicare and plan-covered benefits both in and out of network
- Must have out-of-pocket limits and a single A/B deductible (if they have a deductible)
- Financial incentives to plans to participate

MA Regions



Note: The territories are not included in any MA region.



Private Fee-For-Service Plans

- 26,000 Enrollees in 2003
- Indemnity-type insurance
- Allows unrestricted access to providers
- Pays providers on a fee-for-service basis using same payment rates as traditional Medicare



Medigap Supplemental Insurance

- Individually purchased coverage for services, not covered by A/B; deductibles, coinsurance
- Ten standardized plans sold by private insurance companies
- Roughly 28% of all beneficiaries had Medigap insurance in 2001
- Three Medigap plans (H,I,J) provide outpatient drug coverage; not available Jan. 2006 to new subscribers
- Two new Medigap policies in 2006 (K, L)