

Advising the Congress on Medicare issues

Medicare Advantage 101

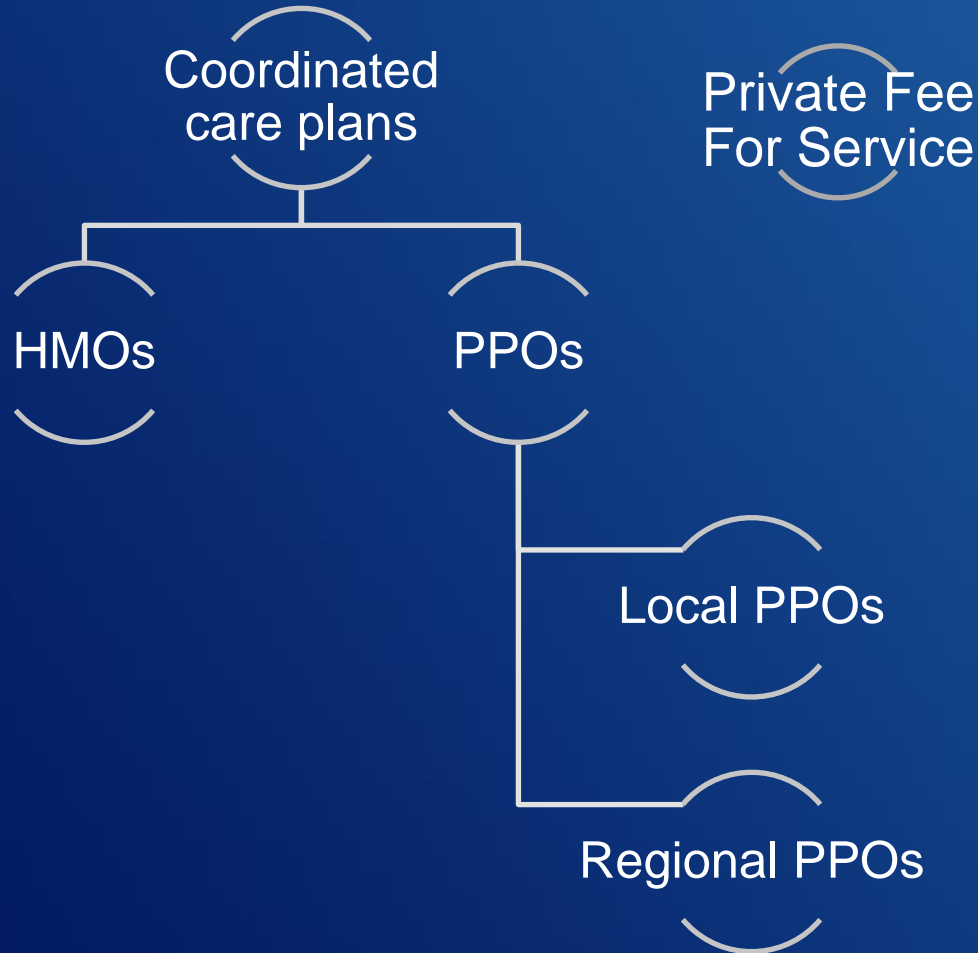
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The Medicare Advantage program

- The Medicare Advantage (MA) program is an alternative to Traditional Medicare (Fee For Service, or FFS)
- Allows beneficiaries to receive their Medicare benefits through a private plan
- Plans paid monthly capitated amount to provide Medicare benefits (Parts A & B)
- Plans usually offer extra benefits
- Plans sometimes charge a premium in addition to the standard Part B premium

Types of MA plans



Restricted Availability Plan Designations

- Special Needs Plans
- Employer-Group Waiver Plans

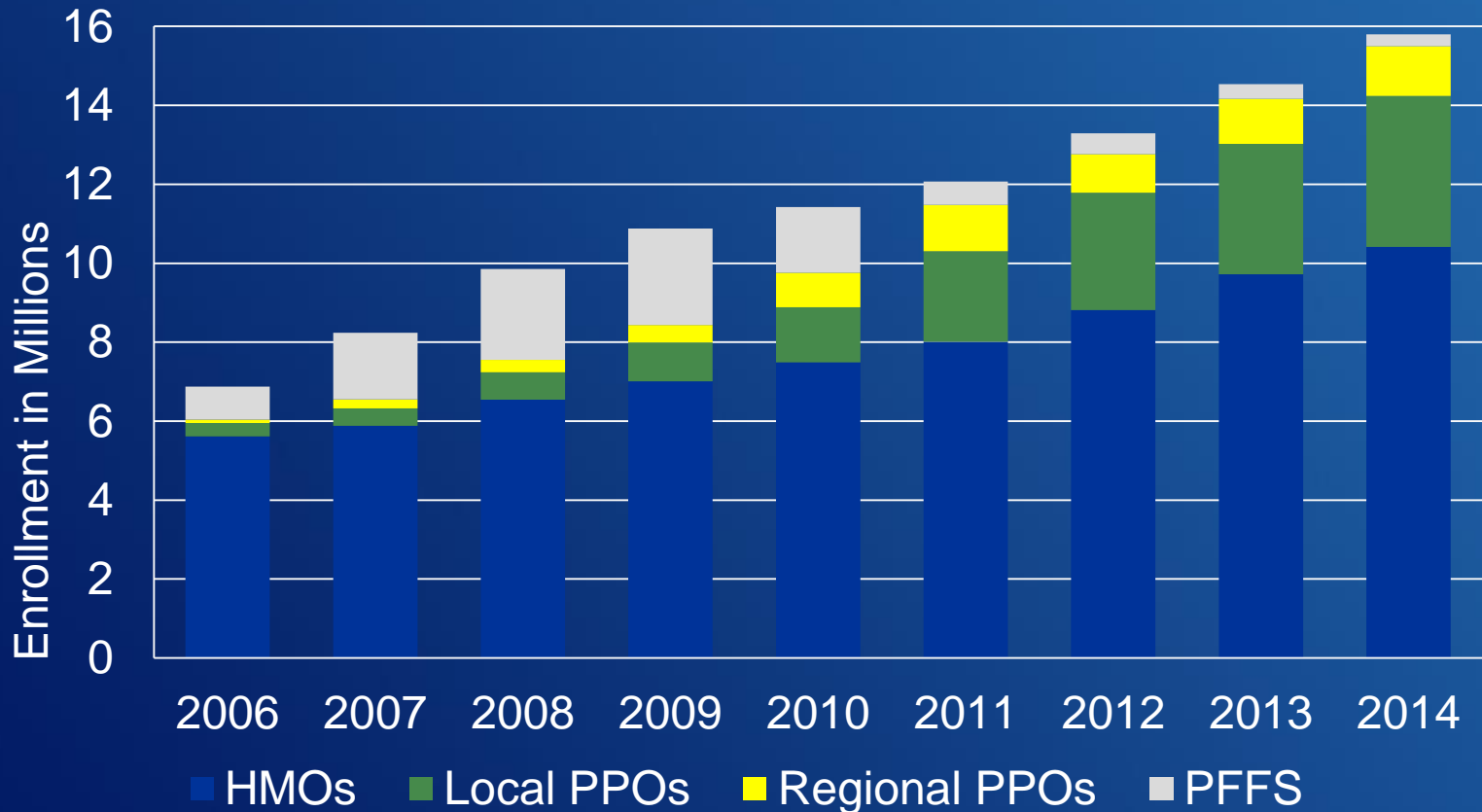
These plans may be HMOs, PPOs, or PFFS

MA plan availability

- Since 2010, virtually all Medicare beneficiaries have an MA plan available in their county
- In 2014, beneficiaries have an average of 10 plan choices available
- 84% of beneficiaries have access to a plan with drug coverage for no additional premium beyond the Part B premium

MA enrollment by plan type

About 28 percent of beneficiaries are enrolled in private plans (2014)



Source: CMS enrollment data from November of each year.

MA plan payment policy

- Based on bids and bidding targets (benchmarks)
- If bid is greater than the benchmark
 - Medicare pays benchmark
 - Enrollee pays premium
- If bid is less than the benchmark
 - Medicare pays the bid, plus a portion of the difference between bid and benchmark
 - Medicare keeps a portion of the bid-benchmark difference, beneficiaries get the rest as extra benefits

Benchmarks, bids, and payments relative to FFS for 2014

	Benchmarks/ FFS	Bids/ FFS	Payments/ FFS
All MA plans	112%	98%	106%
HMO	112	95	105
Local PPO	113	108	110
Regional PPO	109	102	106
PFFS	114	110	111
Restricted availability plans included in totals above			
SNP	113	101	107
Employer groups	112	107	109

Note: MA (Medicare Advantage), PFFS (private fee-for-service), SNP (Special Needs Plan).

Source: MedPAC analysis of CMS bid and rate data.

Risk adjustment in MA

- MA plans receive monthly capitated payments for each enrollee
- Payments are risk adjusted based on how much enrollees are expected to cost
 - Higher payments for sicker enrollees
 - Lower payments for healthier enrollees
- Risk scores represent how much enrollee is expected to cost relative to national average

Measuring MA plan quality

STAR SYSTEM



Staying healthy

- e.g., screenings, tests and vaccines (HEDIS)

Managing chronic conditions

- e.g., monitoring and controlling blood pressure

Ratings of health plan responsiveness and care

- e.g., access to care when needed (CAHPS)

Complaints, problems getting services, and choosing to leave the plan

- CMS tracking of complaints

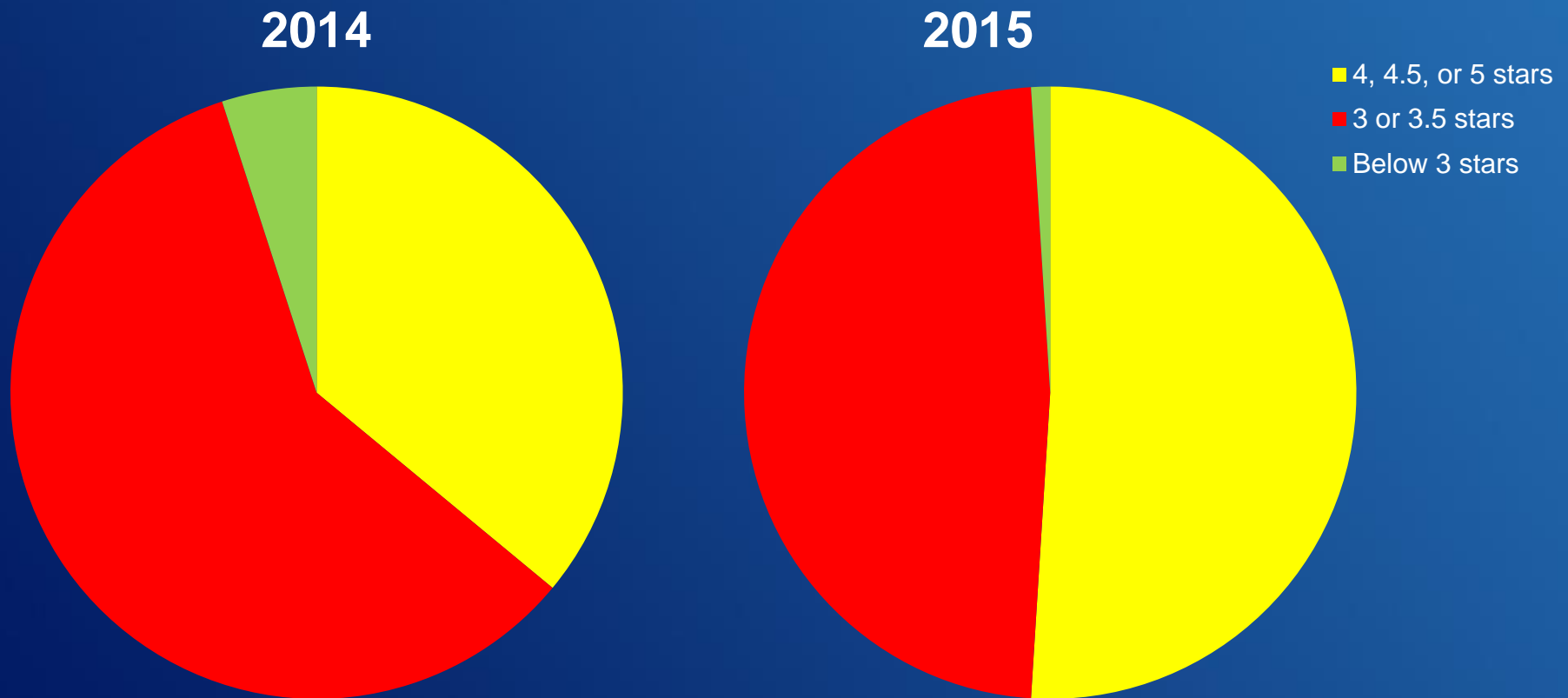
Health plan customer service

- e.g., rate of appeals overturned, telephone access for hearing impaired

Star system and plan incentives

- Plans that perform better on the star rating system receive increased benchmarks
- Better performing plans also receive greater shares of rebate dollars
 - below 3.5 stars, 50%
 - 3.5 or 4 stars, 65%
 - 4.5 or 5 stars: 70%
- Highest rated plans may also enroll beneficiaries outside the open enrollment period

Star ratings are improving, with more enrollees in higher-rated plans



In 2015, only plans with 4, 4.5, or 5 stars will receive quality bonus payments.

Note: Enrollment as of September 2013 for MA plans with a star rating. Enrollment shares shown assume same plan distribution as in September 2013. Data exclude cost-reimbursed HMO plans, which are not eligible for bonuses. Source: MedPAC analysis of CMS star ratings and enrollment data.