



Advising the Congress on Medicare issues

Issues in Medicare Advantage

Mark E. Miller, PhD

December 5, 2014

Roadmap

- Proposition of private plans in Medicare
- Additional issues in MA payment system
 - Risk adjustment
 - Measuring quality
- Policy across MA, ACOs, and FFS

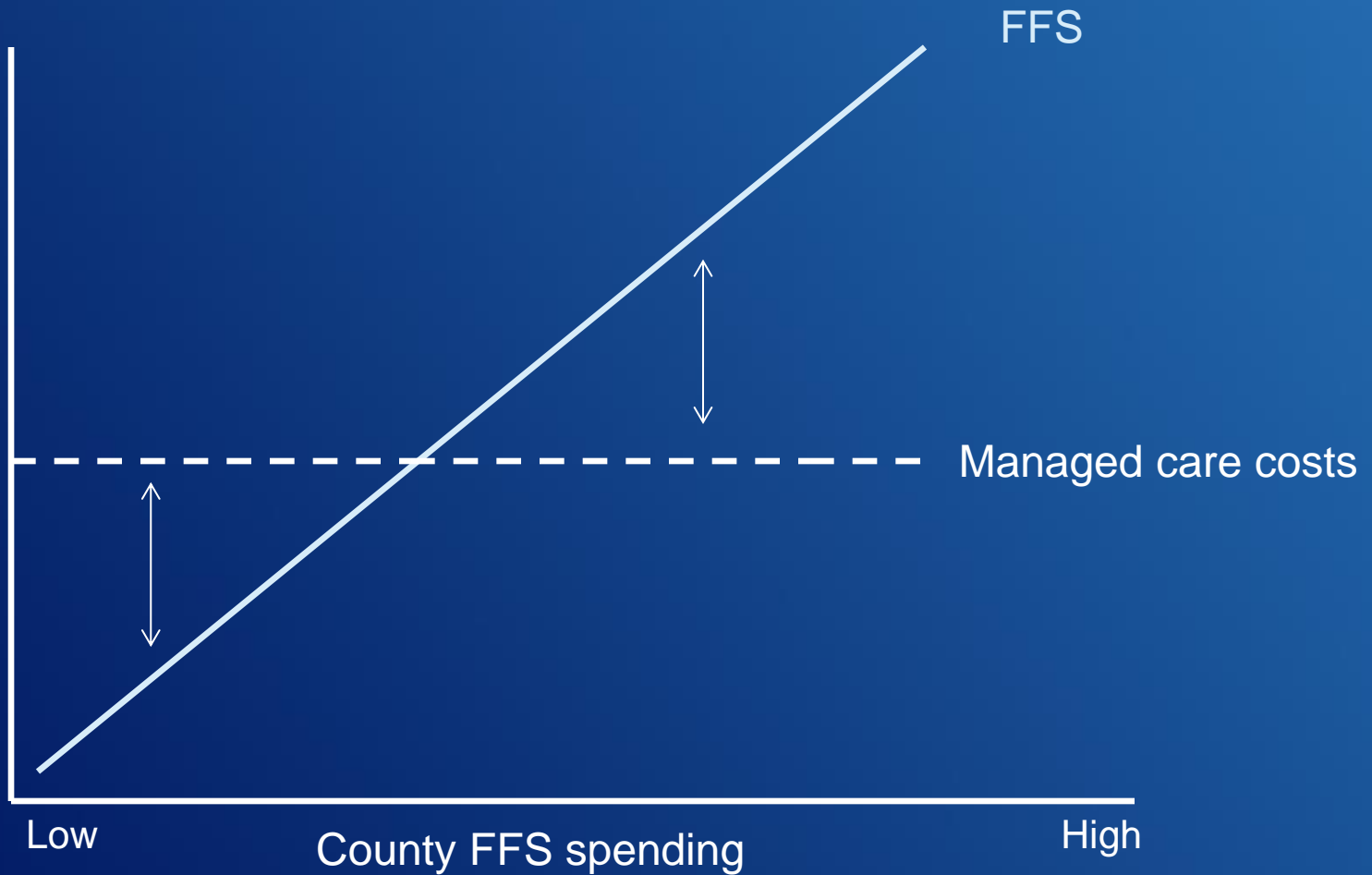
Vision for private plans in Medicare

- Private plans were included in Medicare to provide a mechanism for introducing innovation into the program while saving money for Medicare
- Plans had tools that FFS lacked – forming networks, negotiating rates with providers, utilization management, care coordination
- Savings could allow plans to offer extra benefits and attract enrollment

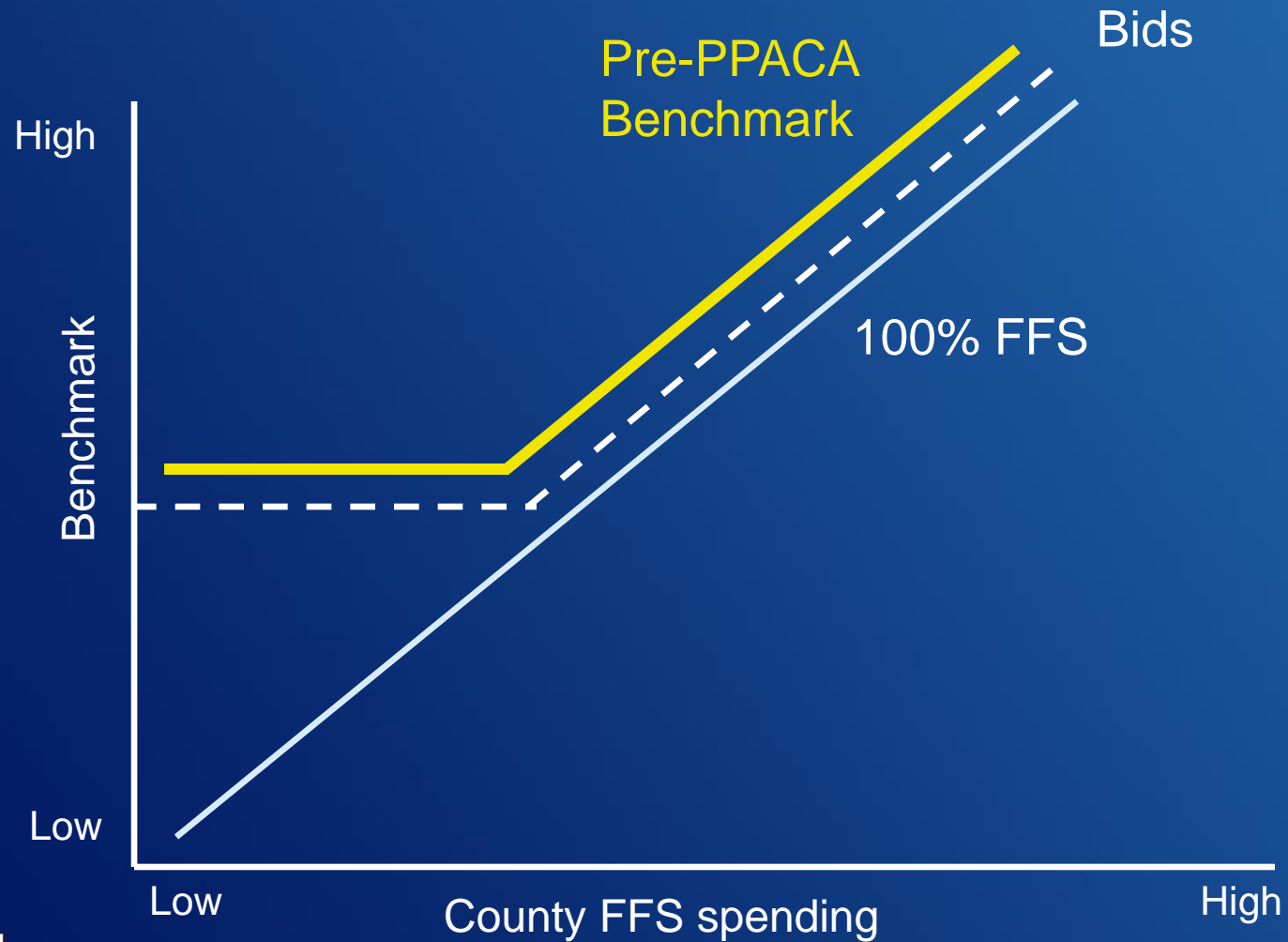
Alternative vision of private plans in Medicare

- Managed care (and extra benefits) offered in all areas of the country
- Managed care plans are subsidized in areas of the country where FFS utilization is low

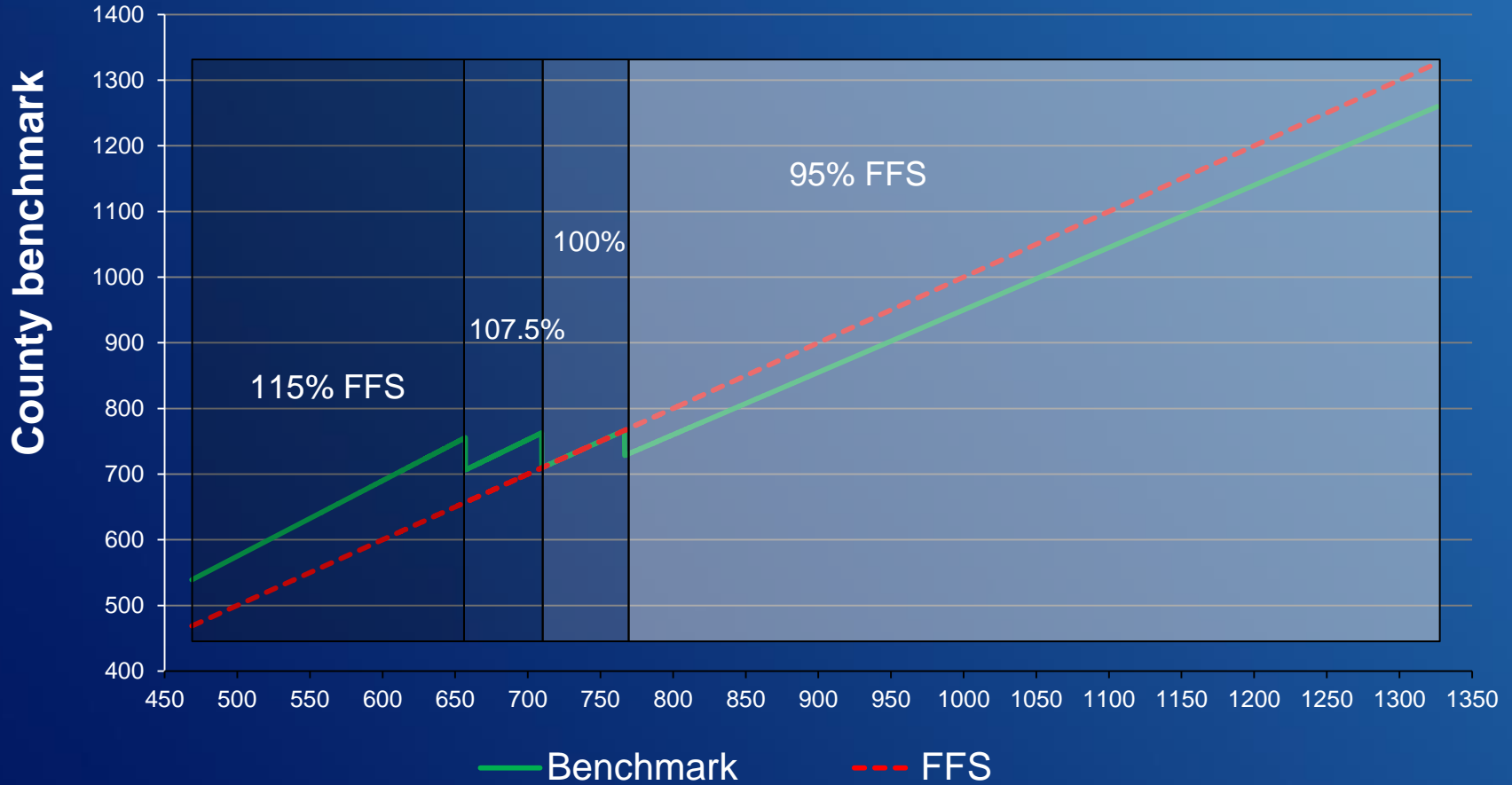
FFS spending and managed care costs



Pre-PPACA benchmarks



PPACA benchmarks



Impact of PPACA benchmarks

- Continued strong enrollment growth
- Continued wide availability of plans
- Entry of new plans and plan expansions

Risk adjustment in MA

- Underpredicts costs for the sickest patients and overpredicts costs for the healthiest patients
- MedPAC has identified some improvements to the model
 - Counts of chronic conditions
 - Using two years of data
 - Separating full and partial duals
- Evidence that greater coding in MA relative to FFS has led to higher plan payments

Measuring quality in MA

- Current system puts more weight on outcome measures
- Maintains inclusion of process and plan compliance measures
- Plan performance typically measured at contract level, rather than plan level
- Threshold criteria, SES, and other methodological issues

Synchronizing payment systems

System	FFS	MA	ACO
# beneficiaries	30 million	15 million	5 million

- Setting a common benchmark and unifying base payment rates
- Streamlining quality measurement
 - Fewer measures
 - Outcome, population-based measures
- Common risk adjustment
- Regulatory relief for providers taking risk