

# NATIONAL HEALTH POLICY FORUM

Medicare Advantage  
April 28, 2005

Jack Ebeler

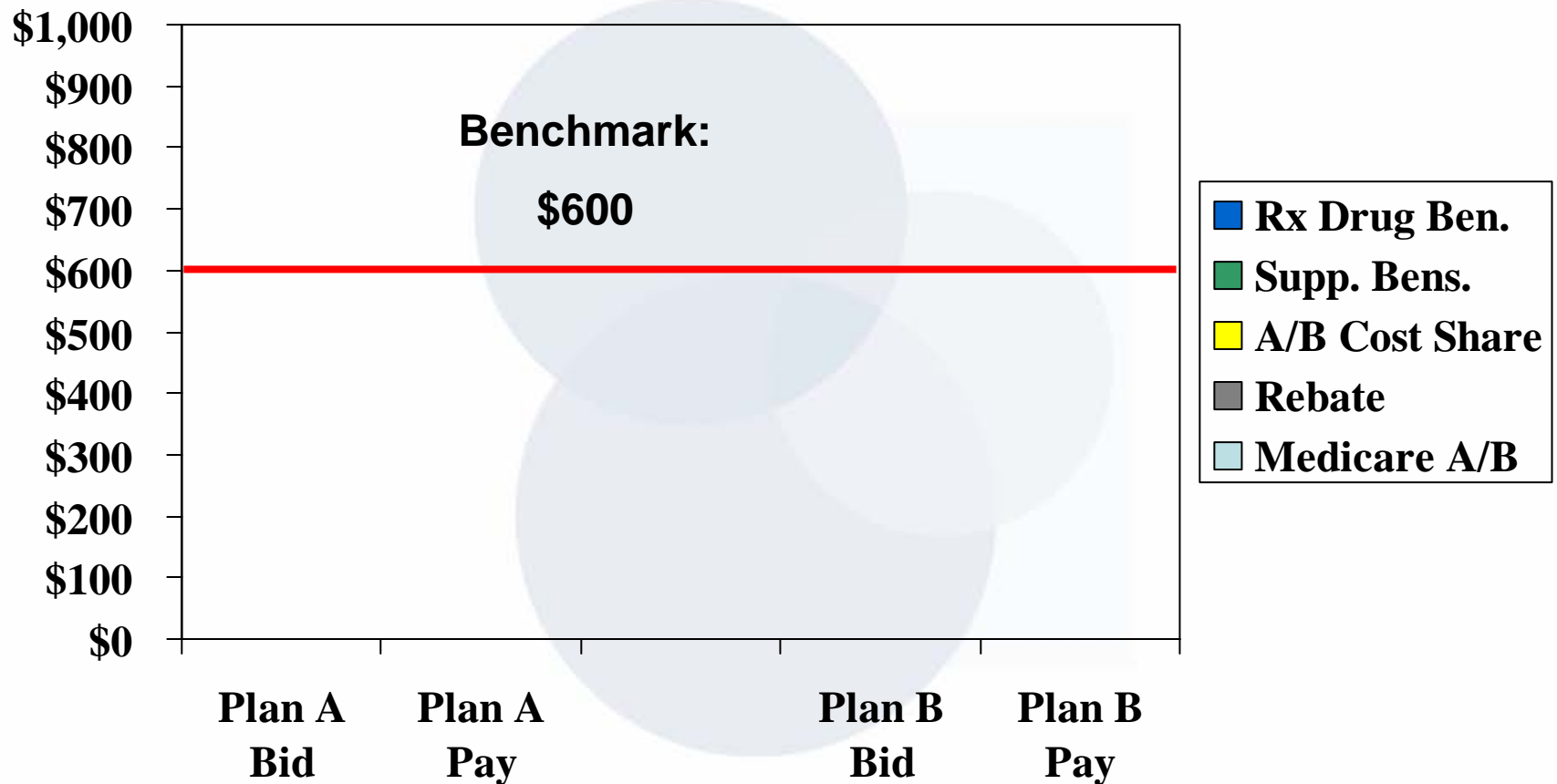
MAKING HEALTH CARE **BETTER**



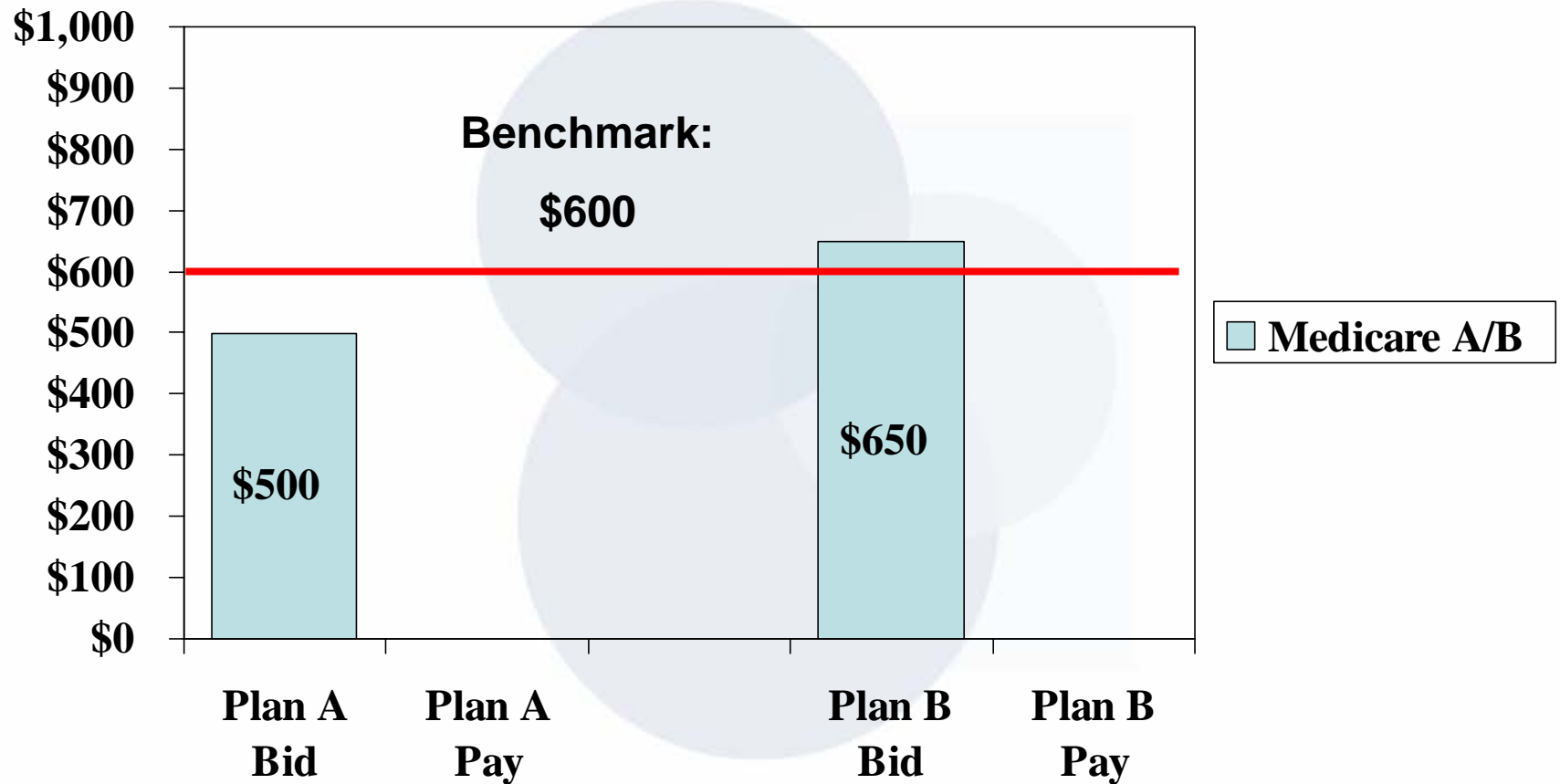
# OVERVIEW

1. Review top line bidding, payment
  - For Medicare A/B
  - For Supplemental Benefits
  - For Rx Drug Benefits
2. Review:
  - MA plan environment
  - MA plan considerations

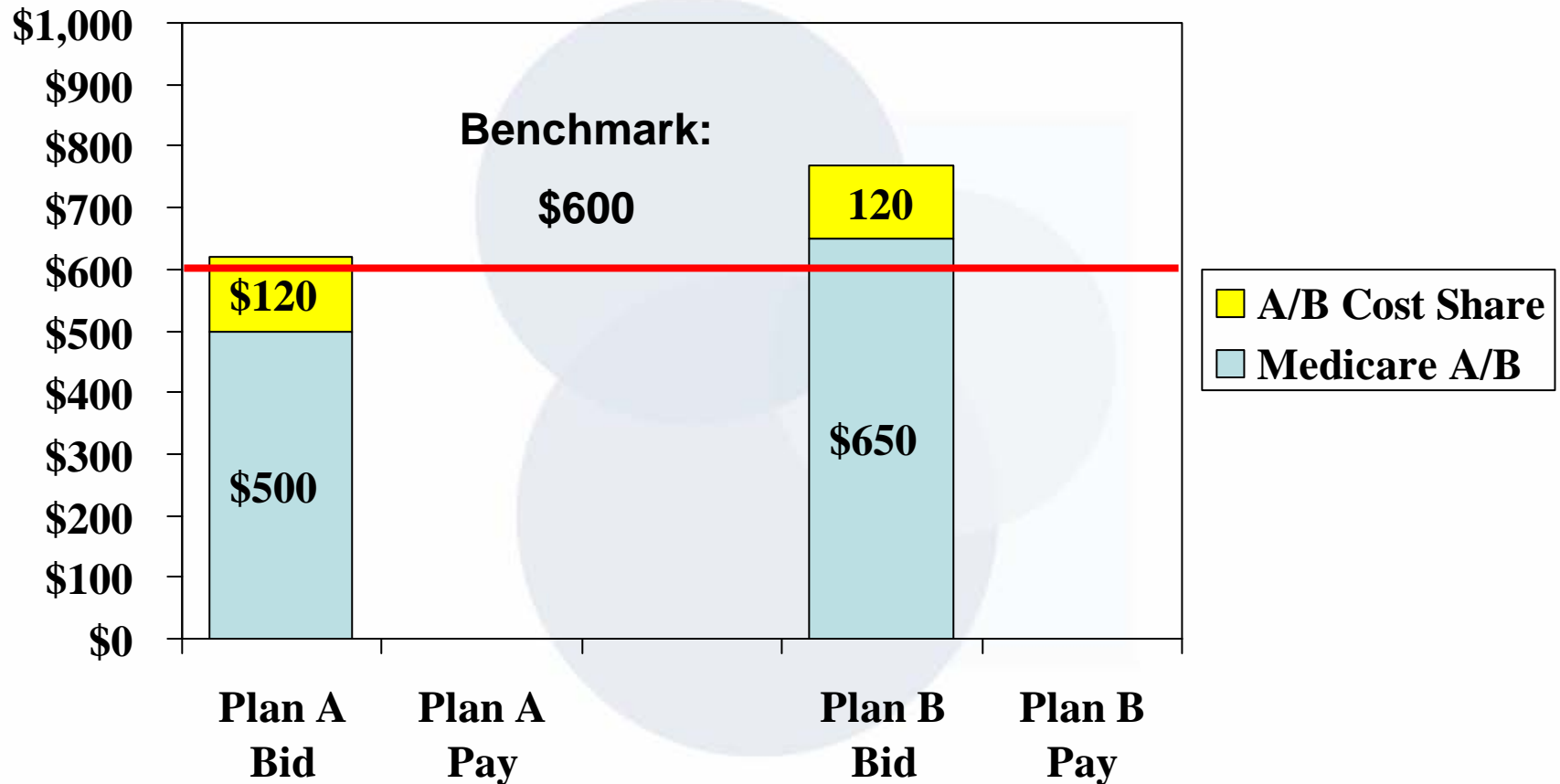
## ▶ ONE COUNTY, 100% AVERAGE RISK PROFILE



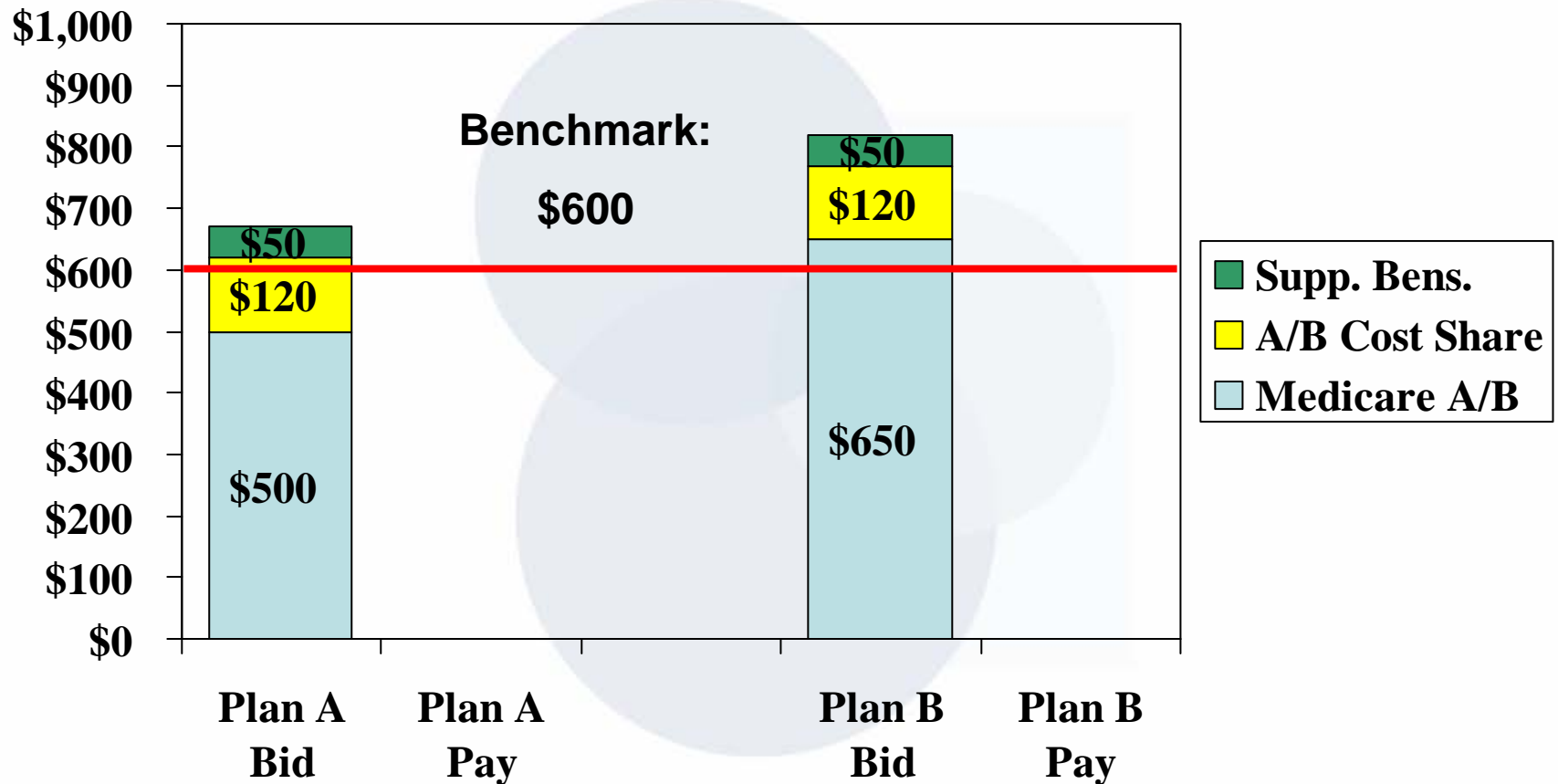
## ▶ PLANS A AND B BID .. MEDICARE A/B



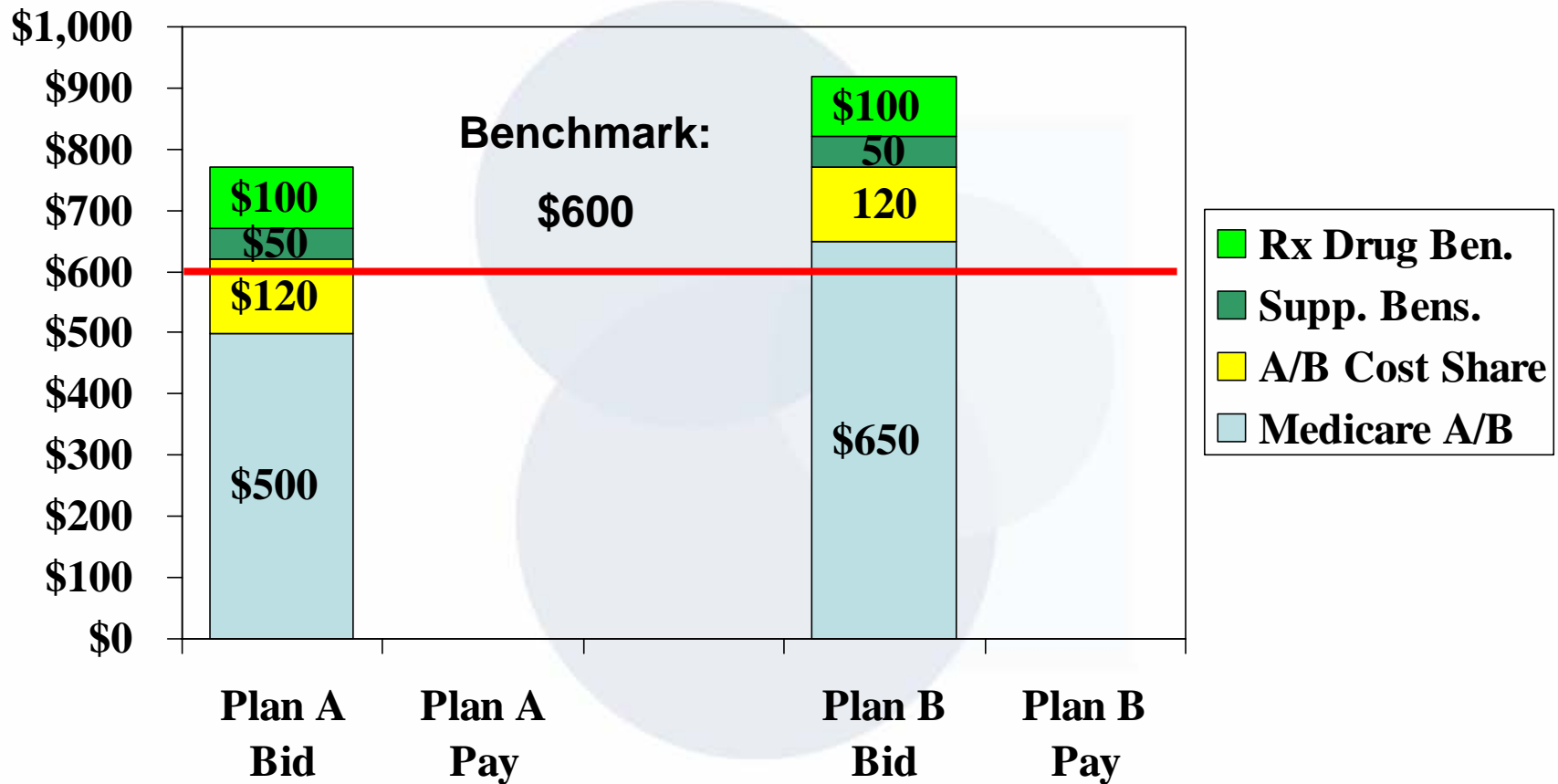
## ▶ PLANS A AND B BID .. A/B COST SHARING



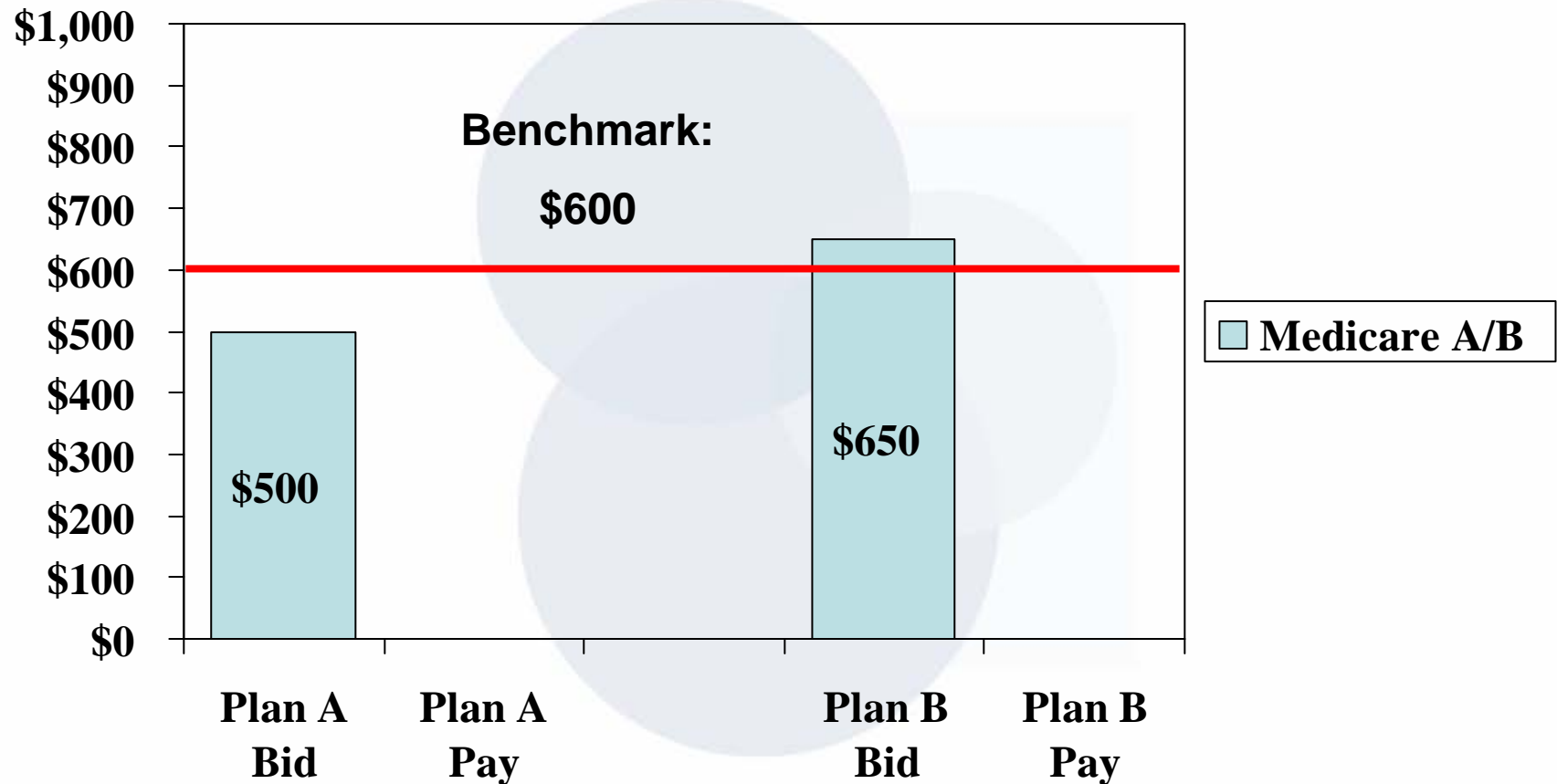
## ▶ PLANS A AND B BID .. SUPPLEMENTAL BEN.



## ▶ PLANS A AND B BID .. Rx – PART D



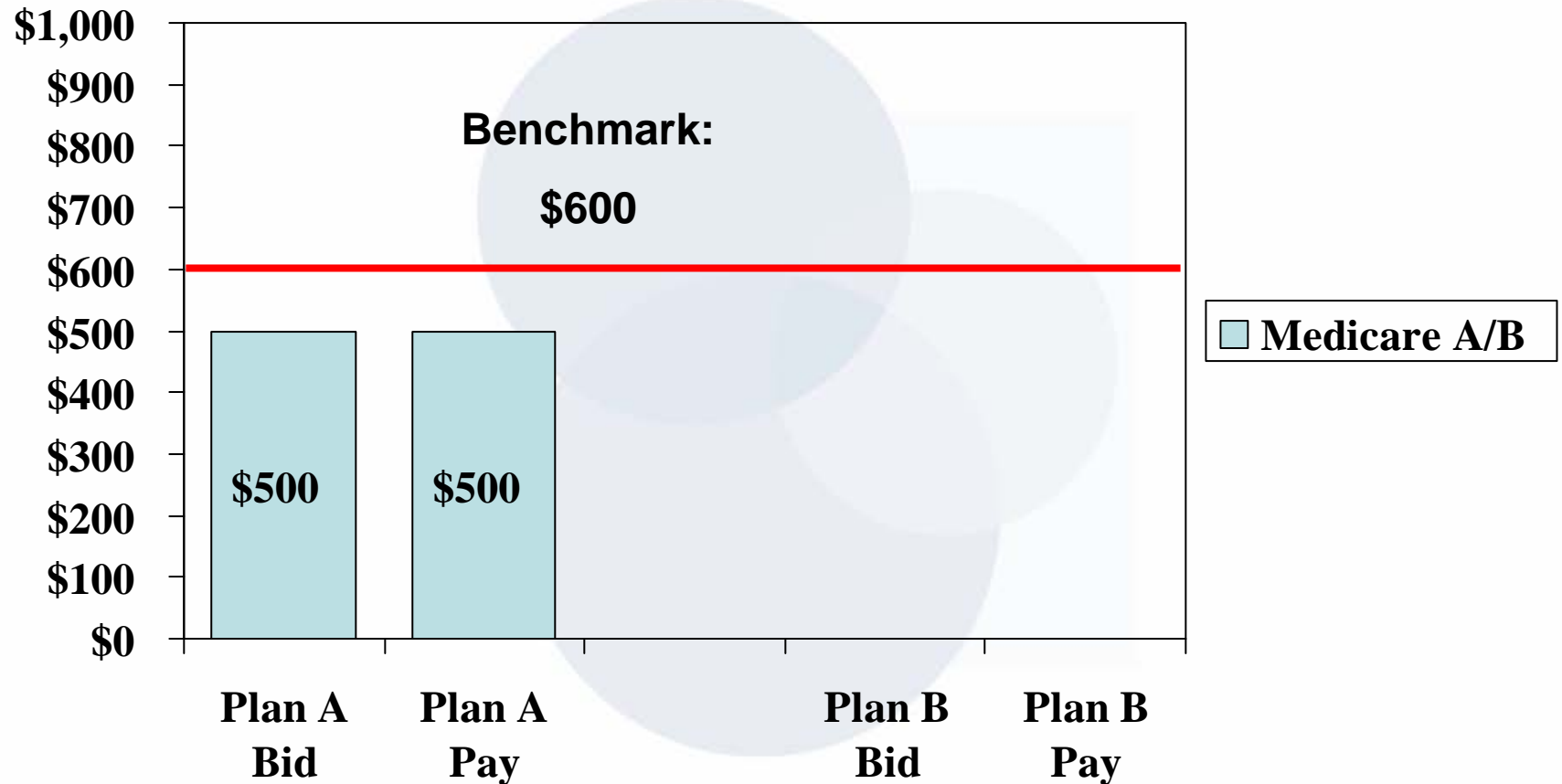
## ▶ PAYMENT—COMPARE A/B BID TO BENCHMARK





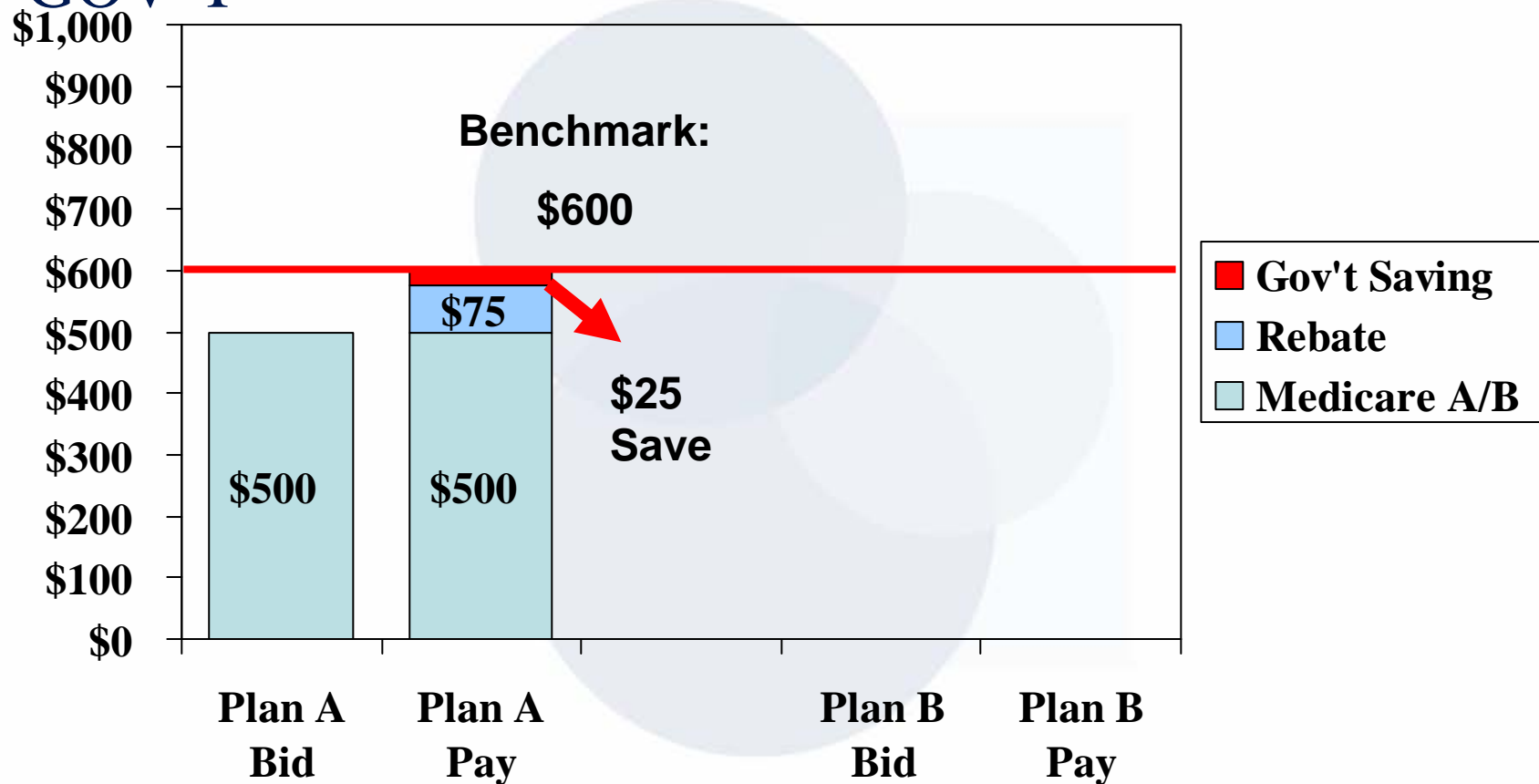


## PLAN A: \$100 BELOW BENCHMARK



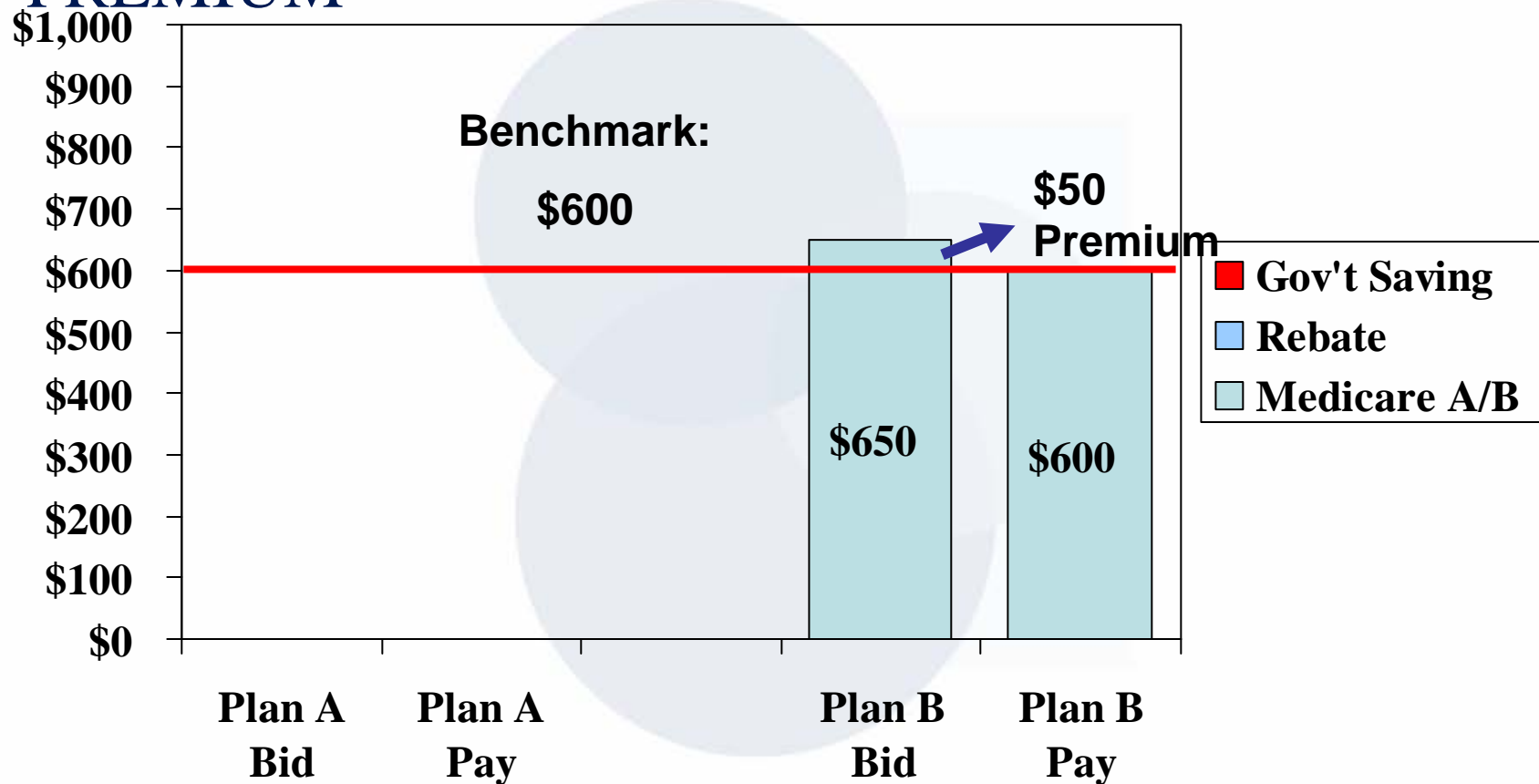


# PLAN A: \$100 BELOW BENCHMARK; M'CARE PAYS BID PLUS 75% REBATE; 25% SAVINGS TO GOV'T

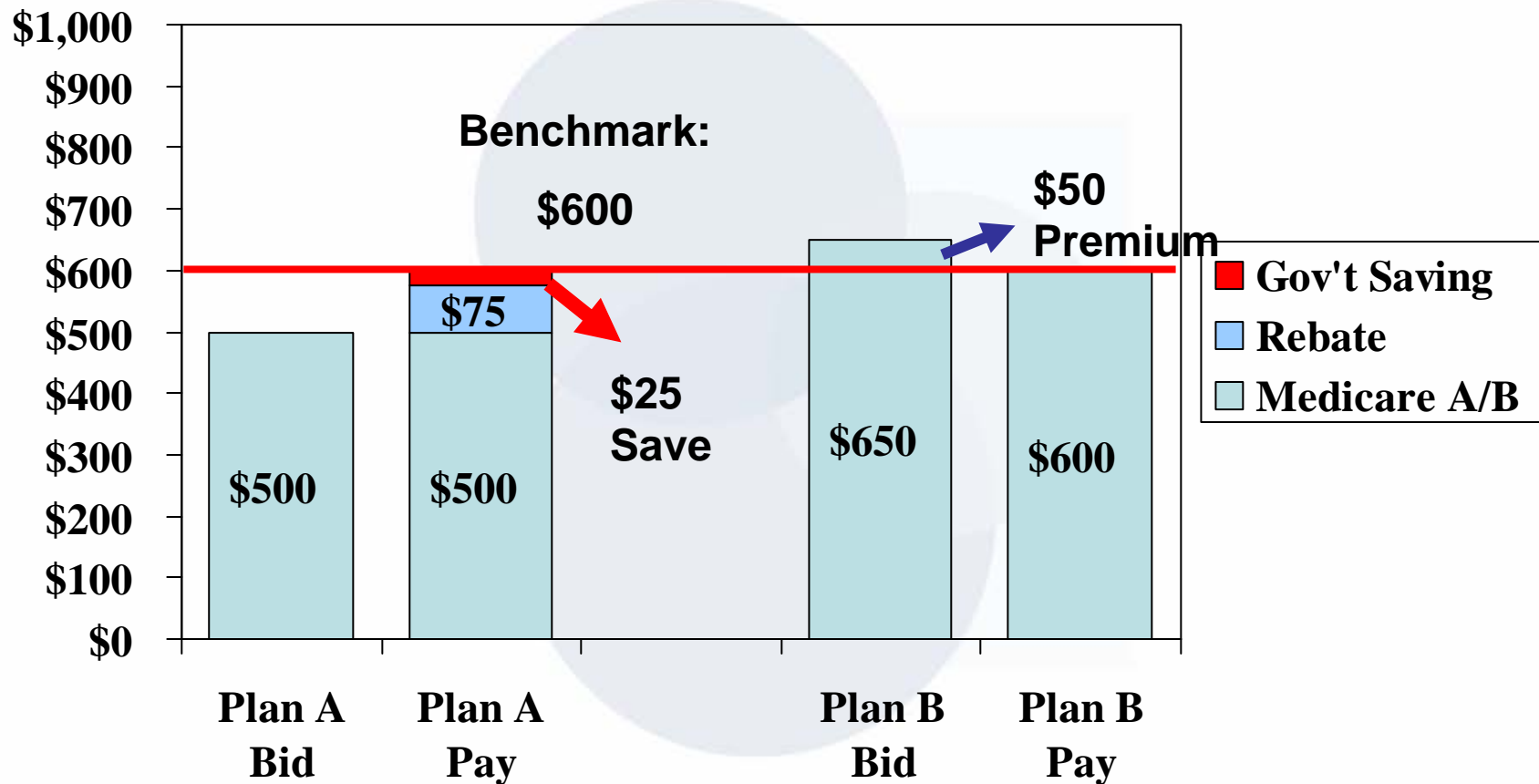




## PLAN B: \$50 ABOVE BENCHMARK; M'CARE PAYS BENCHMARK; BENEFICAIRY PAYS \$50 PREMIUM

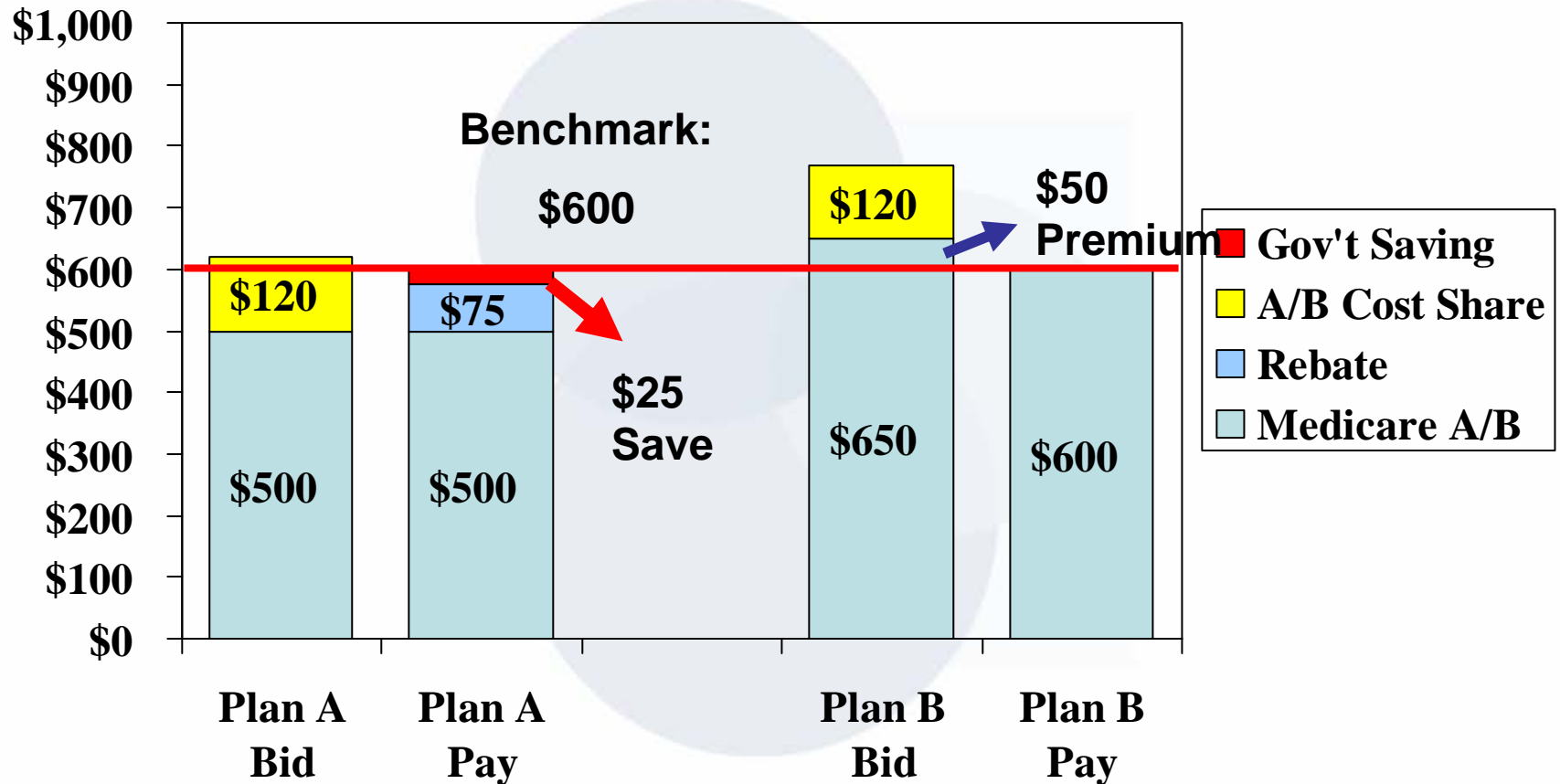


## PLANS A&B: FOR A/B SERVICES, BIDS, MEDICARE PAYMENTS, PREMIUM



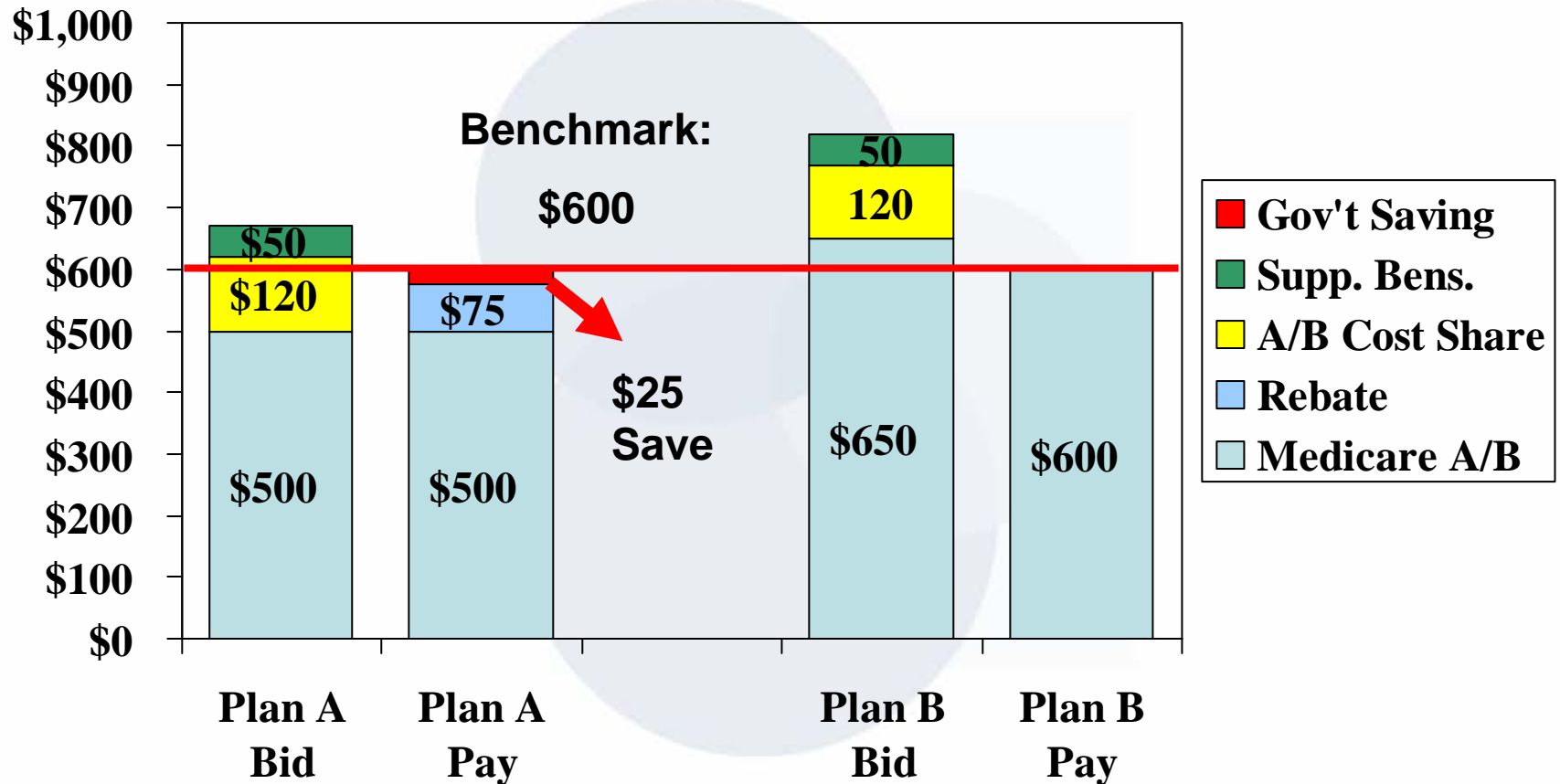


## PLUS COST OF A/B COST SHARING

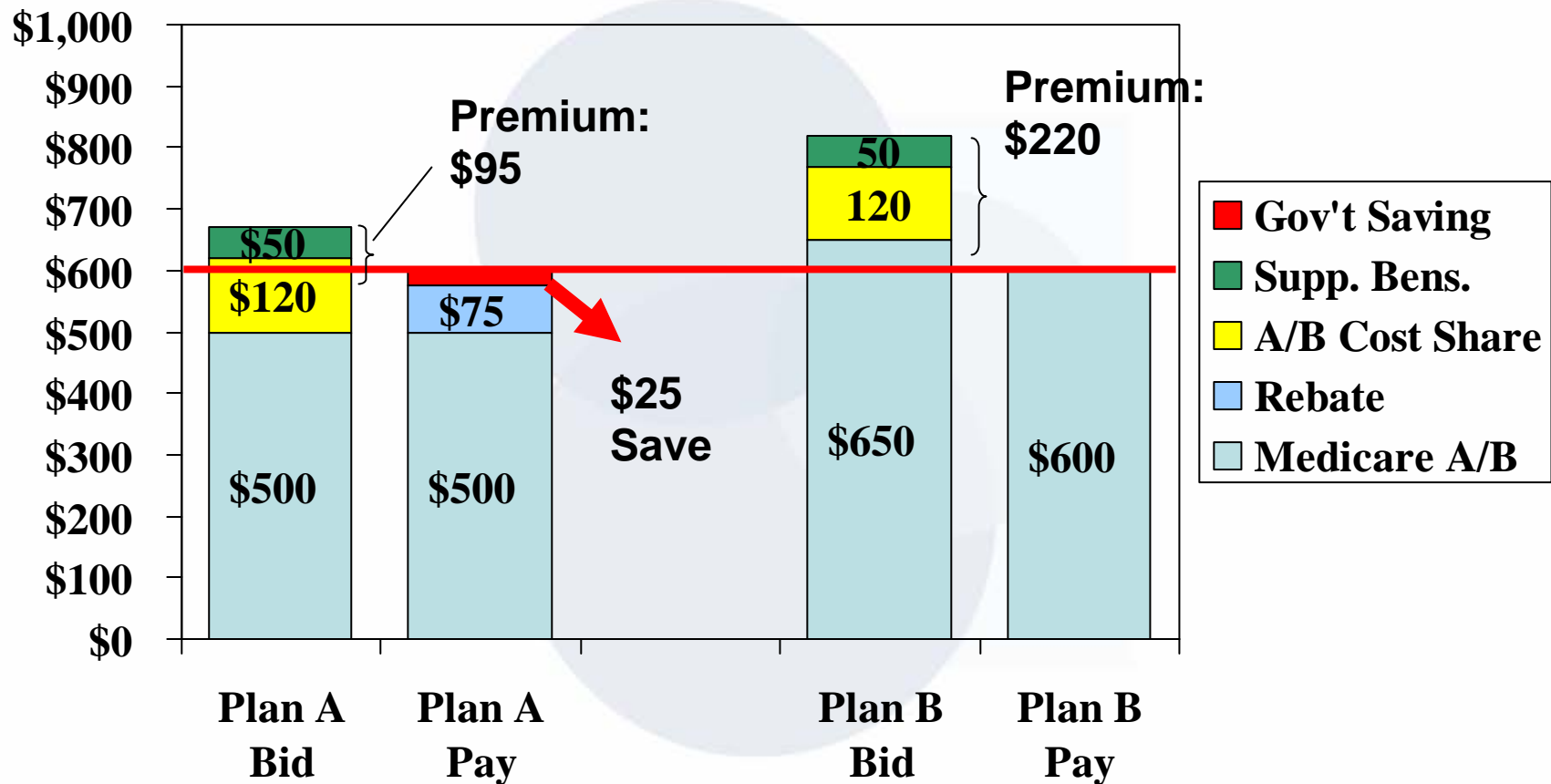




## PLUS SUPPLEMENTAL BENEFITS



## GOV'T PAYMENT AND BENEFICIARY PREMIUMS, A/B AND SUPPLEMENTAL



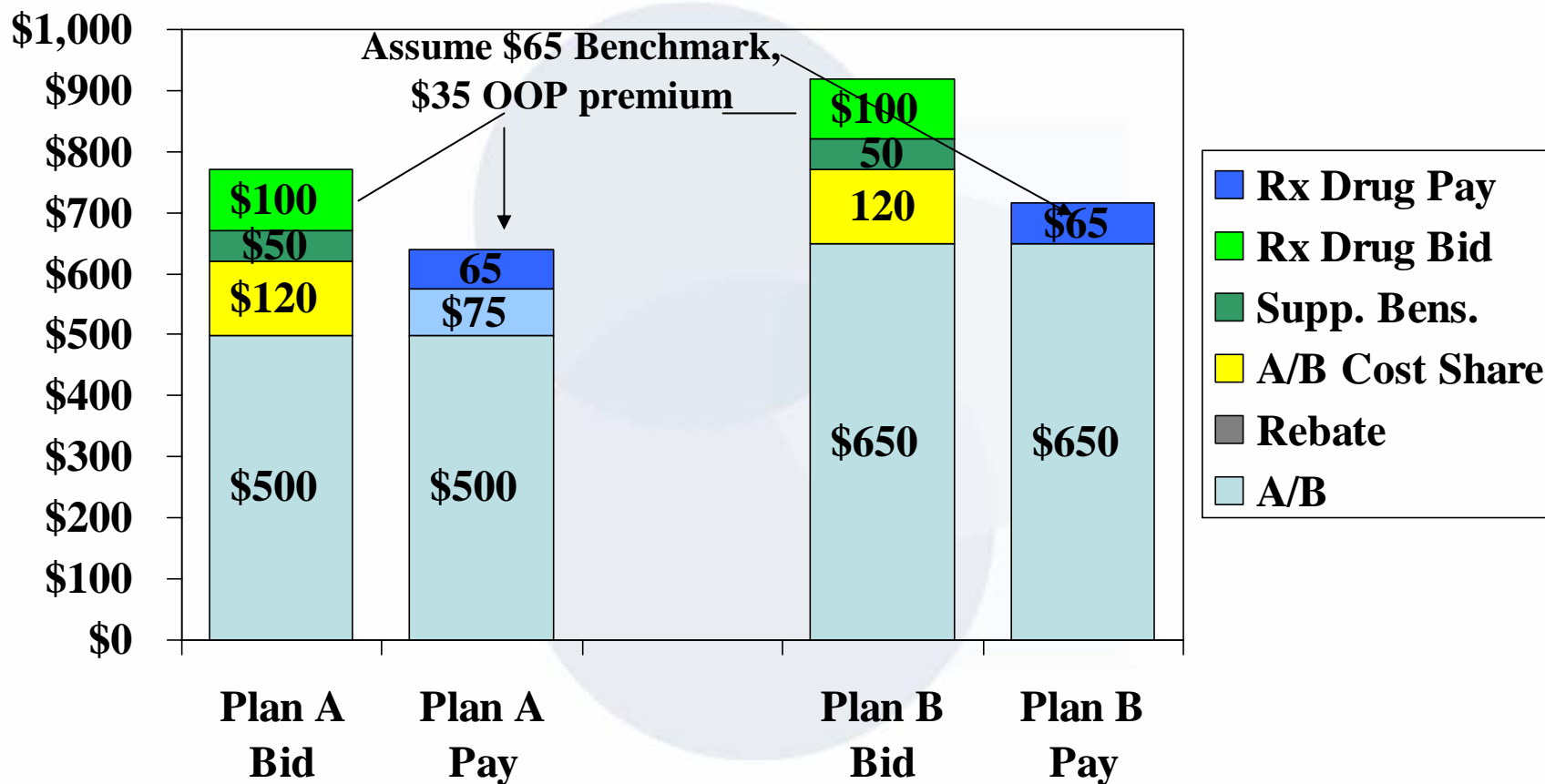
## ▶ PLUS, NEW DRUG BENEFIT



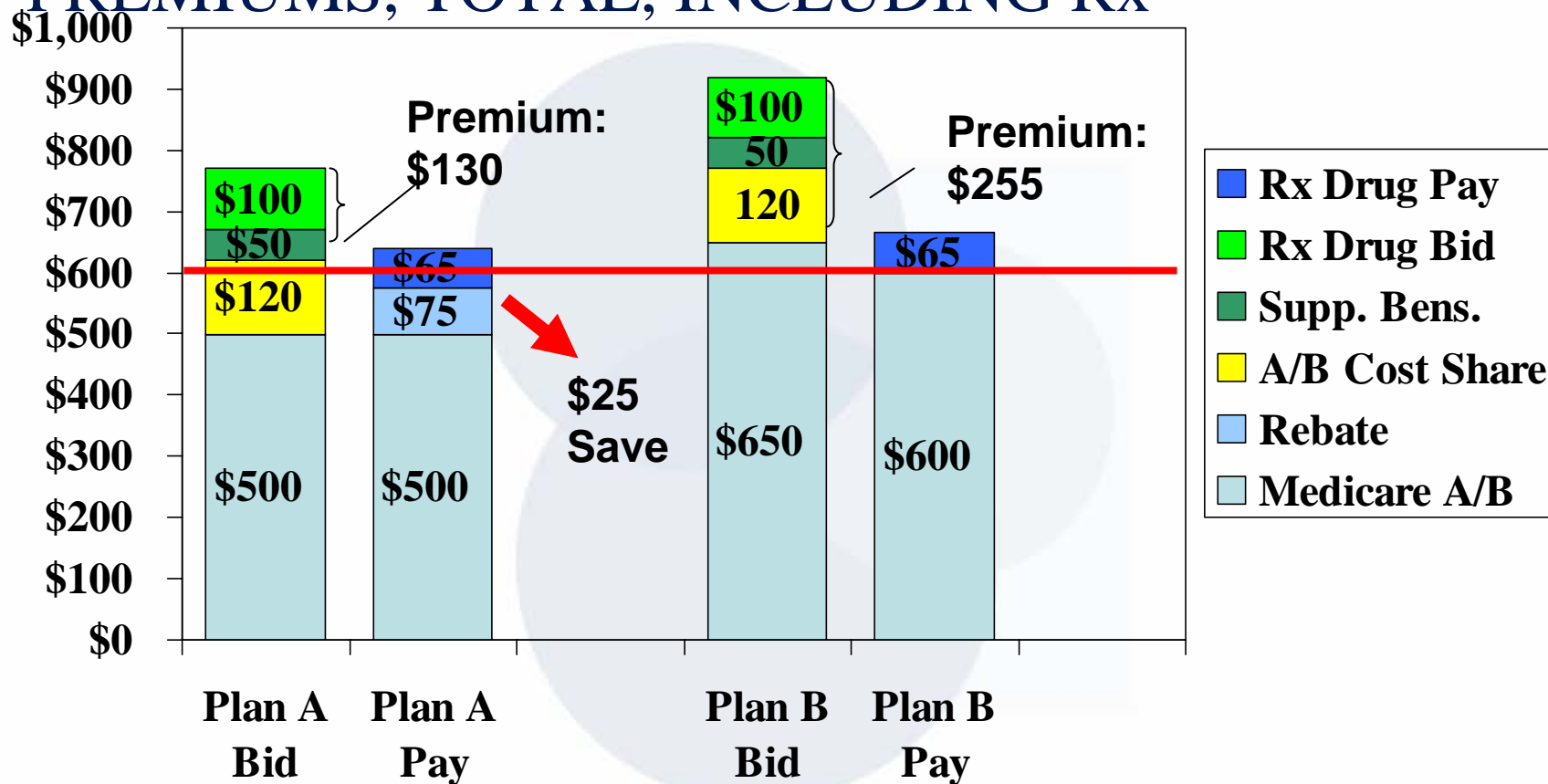




# DIFFERENT BENCHMARKING FOR Rx – NATIONALLY NORMED



# ▶ GOV'T PAYMENT AND BENEFICIARY PREMIUMS, TOTAL, INCLUDING Rx



## ▶ THEN - ADJUST THIS ARTIFICIAL, ONE COUNTY, AVERAGE RISK APPROACH

- Adjust for risk – projected, actual
- Adjust for each county of service – projected, actual
- Adjust for regional plans: benchmark itself is impacted by average bids – bid weight is proportion of enrollees in MA nationally

## ▶ WHAT IS ENVIRONMENT FOR MA?

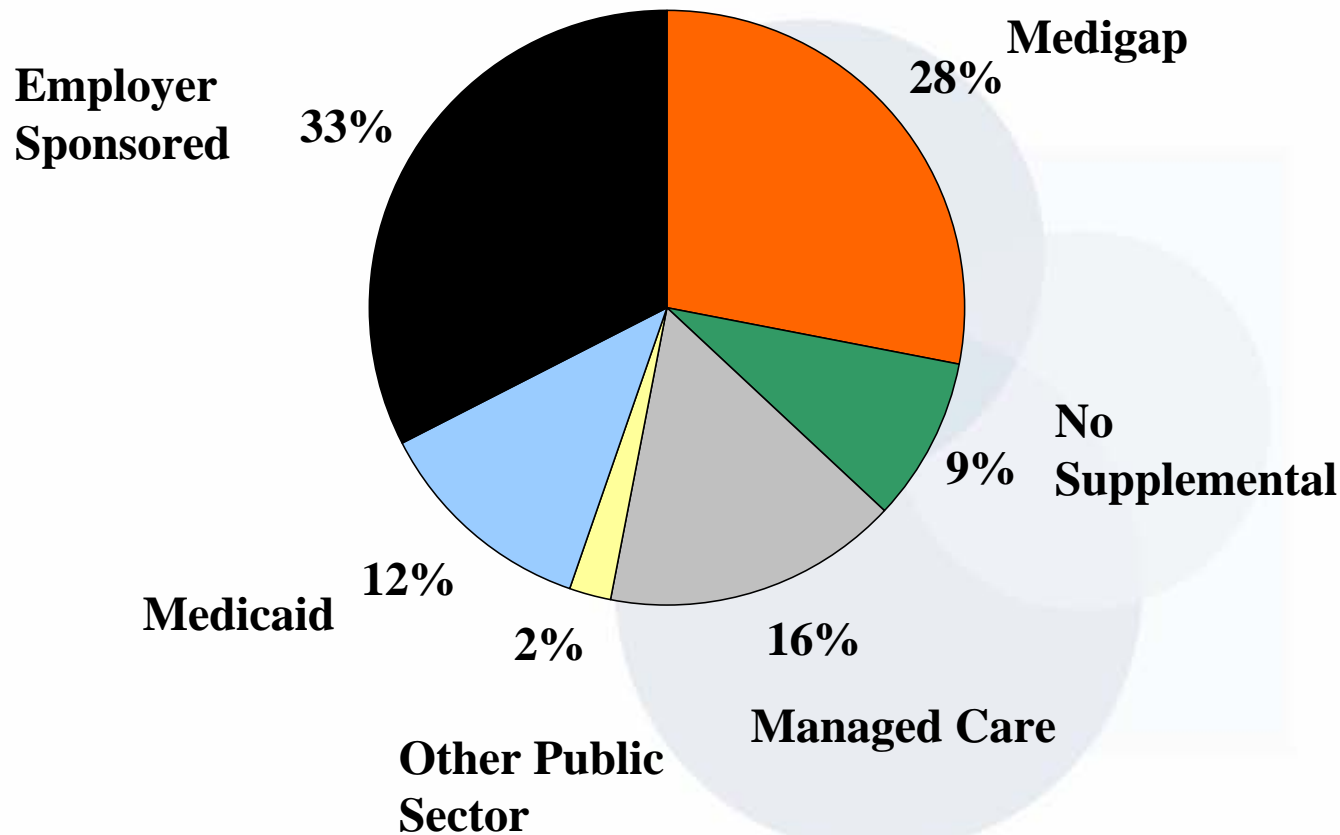
- Underlying cost trends: flattening but still well above general inflation
- Medicare payment trends: recent increases, but sustainable later in decade?
- Market/product trends: what is trend for PPOs? New high deductible/HRA/HSA products?
- Market area: very different environments around country
  - High cost/high use/high benchmark communities vs. low cost/low use/low benchmark communities
  - High MA penetration vs. low penetration communities
- Prescription drug only plans vs. MA/PD plans? What is likely beneficiary interest in market?

## ▶ PLAN-SPECIFIC ISSUES?

- New regional PPOs – what regions, how reach all communities? How will others bid? What will benchmark be? What is possibility of special fund?
- Local MA plans – how compete with new regional plans?
- Compete on benefits? Premiums? Access? Risk?
- What is my capacity to actually improve, coordinate care, manage trend increases in spending?
  - Medicare A/B?
  - Rx Drugs?
- Long-term participant or prepared to leave Medicare?



# WHICH MEDICARE BENEFICIARIES ARE LIKELY CANDIDATES FOR ENROLLMENT?



MedPAC. Healthcare Spending and the Medicare Program June 2004.

Note: Data based on noninstitutionalized Medicare beneficiaries. Chart depicts 2001 percentages.

## ▶ KEY OPPORTUNITIES/CHALLENGES

### Low income

\$192 billion of the \$400 billion in costs

About 14 million beneficiaries total (including duals)

Do plans market to them? Do they:

- Join PDP-only plans?
- Join MA/PD plans?

### Current Medigap enrollees

Do they stay, join PDP-only, join MA/PD?



Thank you