

# Medicare Advantage Overview

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Exhibit 1

## Overview

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- ✓ Today nearly one in five beneficiaries is enrolled in a Medicare Advantage plan
  - But the vast majority - 8 in 10 beneficiaries- are in traditional Medicare
- ✓ All beneficiaries have access to one or more Medicare Advantage plans
- ✓ Wide variation in enrollment by state
  - More than a third of beneficiaries in six states are enrolled in Medicare Advantage plans, but fewer than 10% in 20 states
- ✓ Analysis by CBO, MedPAC and others confirms cost of current payment system to federal government
  - 112% of traditional Medicare, on average
- ✓ Without change in law, HHS trustees project MA enrollment to reach 27% by 2016

## Key Dates (1982-2001)

### 1982: TEFRA '82 authorized Medicare HMOs; HMO program became operational in 1985

- ✓ Set payments to cover 95% of FFS costs; HMOs 'at risk' for providing Medicare benefits
- ✓ Goals: create incentives to manage care more efficiently and save Medicare \$\$

### 1997: BBA created Medicare+Choice program (absorbed HMOs)

- ✓ Authorized new plans: Medicare local PPOs, local PFFS plans
- ✓ Modified payment method (to achieve budget savings and minimize variations by geography)
- ✓ Goals: expand role of private plans in Medicare; give seniors more choice among private plans

### 2000: BIPA raised payments to plans; allows 1 percent increase in minimum update

## Key Dates (2003-present)

### 2003: Medicare Modernization Act

- ✓ Medicare+Choice renamed "Medicare Advantage"
- ✓ Authorized regional PPOs and created R-PPO \$10 billion stabilization fund; authorized Special Needs Plans (sunset December 2008)
- ✓ Modified and boosted payments to Medicare Advantage plans
- ✓ Goals: encourage plan participation and stability over time; expand access to plans, especially in rural areas

### 2006:

- ✓ Medicare drug benefit goes into effect, creating new marketing opportunities for Medicare Advantage plans
- ✓ Lock in for Medicare Advantage plans goes into effect
- ✓ Tax Relief and Health Care Act of 2006 reduced R-PPO stabilization fund by \$6.5 billion
  - ✓ Also permits PFFS Advantage plans that do not offer Rx benefits to enroll beneficiaries year round

Exhibit 4

## Medicare Private Plan/Advantage Contracts 1999-2007



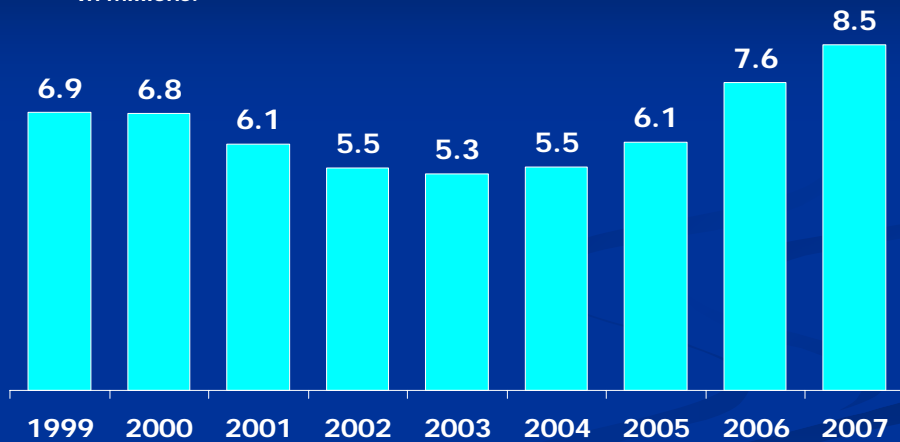
**Note:** Includes local HMOs, PSOs, and PPOs, regional PPOs, PFFS plans, Cost contracts, Demonstrations, HCPP, and PACE contracts.  
**Source:** Mathematica Policy Research, Inc. "Tracking Medicare Health and Prescription Drug Plans Monthly Report" December 1999-2006. CMS Medicare Advantage, Cost, PACE, Demo, and Prescription Drug Plan Contract Report, Monthly Summary Report, April 2007.



Exhibit 5

## Medicare Private Plan/Advantage Enrollment 1999-2007

In millions:

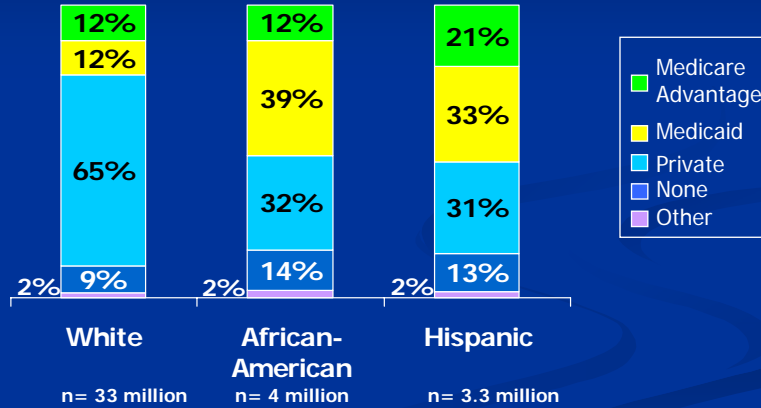


**Note:** Includes local HMOs, PSOs, and PPOs, regional PPOs, PFFS plans, Cost contracts, Demonstrations, HCPP, and PACE contracts.  
**Source:** Mathematica Policy Research, Inc. "Tracking Medicare Health and Prescription Drug Plans Monthly Report" December 1999-2006. CMS Medicare Advantage, Cost, PACE, Demo, and Prescription Drug Plan Contract Report, Monthly Summary Report, April 2007.



Exhibit 6

## Medicare Advantage and Other Sources of Supplemental Coverage Among Medicare Beneficiaries, by Race/Ethnicity

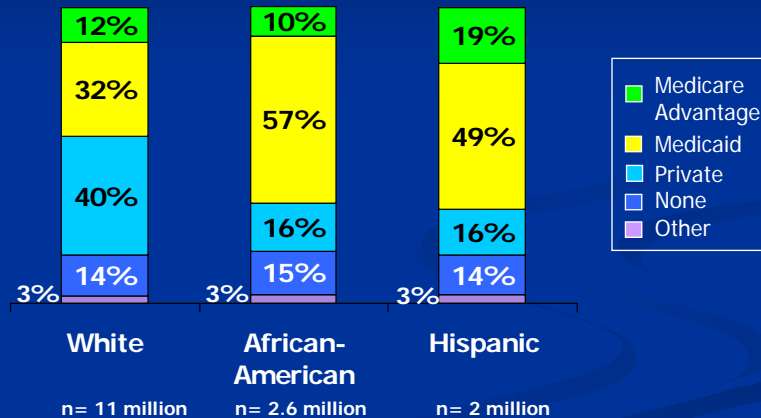


Note: Coverage was assigned based on the following hierarchy: Medicare HMO, Medicaid, Private (employer-sponsored, Medigap), other public and unknown source, and no coverage.  
 Source: Kaiser Family Foundation analysis of 2003 Medicare Current Beneficiary Survey Cost and Use File.



Exhibit 7

## Medicare Advantage and Other Sources of Supplemental Coverage Among Medicare Beneficiaries Below 150% FPL, by Race/Ethnicity



Note: Coverage was assigned based on the following hierarchy: Medicare HMO, Medicaid, Private (employer-sponsored, Medigap), other public and unknown source, and no coverage.  
 Source: Kaiser Family Foundation analysis of 2003 Medicare Current Beneficiary Survey Cost and Use File.



Exhibit 8

## Medicare Advantage State Penetration, 2007

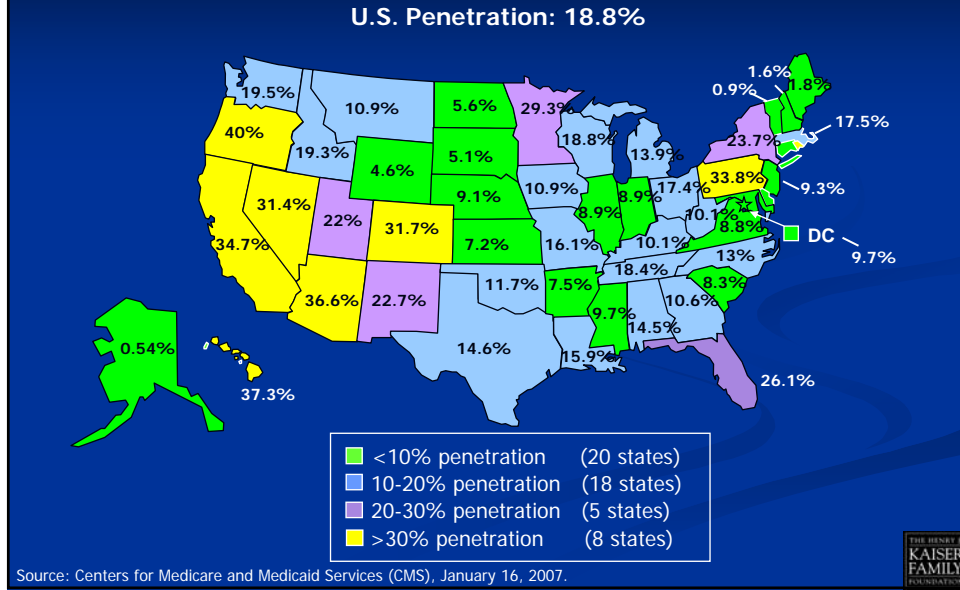


Exhibit 9

## HHS Projections of Medicare Advantage Enrollment, as Percent of Total Medicare Enrollment, 2006-2016

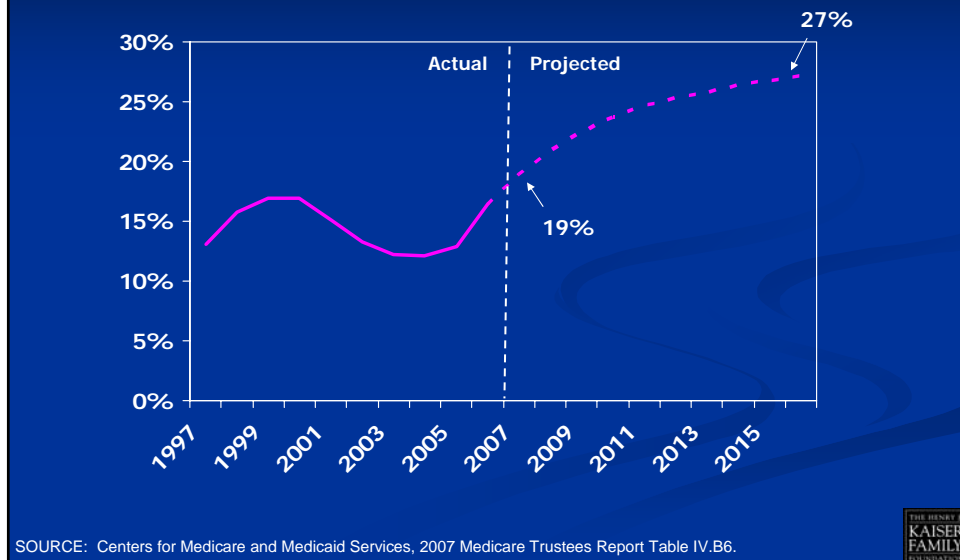
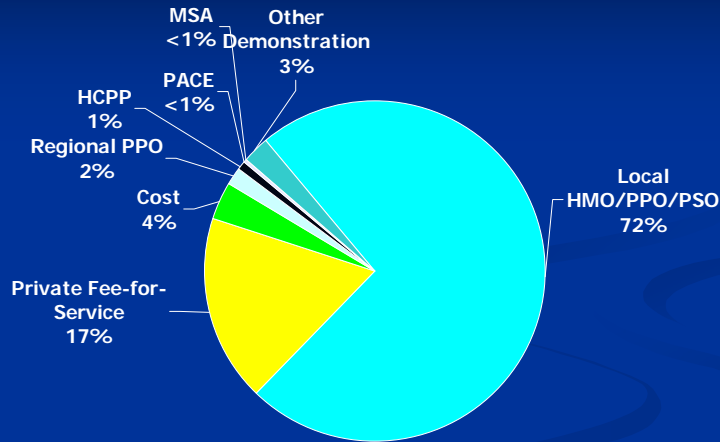


Exhibit 10

## Medicare Advantage Enrollment By Plan Type, 2007



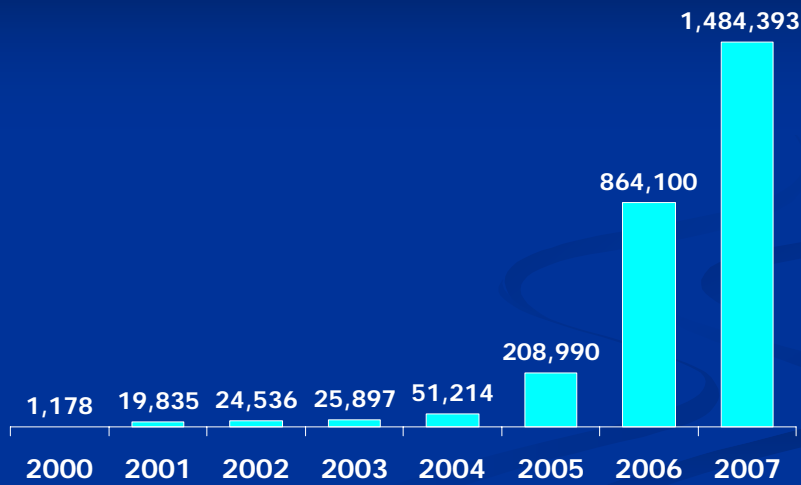
Total Enrollment in All Plan Types = 8.5 million

SOURCE: Centers for Medicare and Medicaid Services, Medicare Advantage, Cost, PACE, Demo and Prescription Drug Plan Contract Report – Monthly Summary Report (Data as of April 2007).



Exhibit 11

## Private Fee-For-Service Enrollment, 2000-2007



SOURCE: Avalere Health analysis of Centers for Medicare and Medicaid Services, Medicare Managed Care Contract Report (2000-2005); Centers for Medicare and Medicaid Services, Monthly Summary Report (2006-2007). Figures are year-end for 2000-2006 and as of April for 2007.

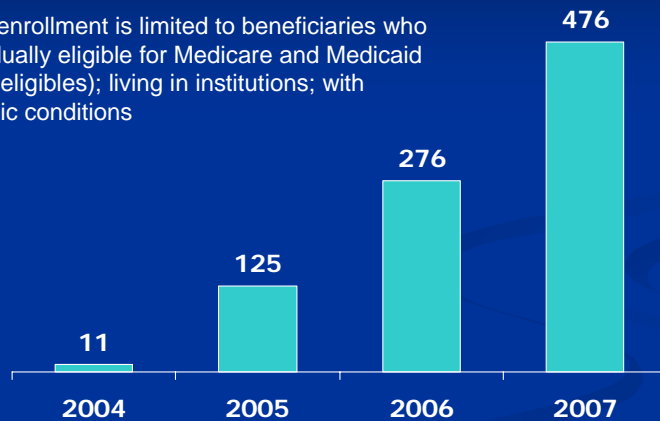


## Key Facts about Private Fee-for-Service Plans

- ✓ Authorized under the Balanced Budget Act of 1997
- ✓ Typically do not have provider networks
- ✓ Enrollees can access any provider willing to accept the plan's payment
- ✓ Required to offer Part A and B benefits; not required to provide Part D benefit (about half do)
- ✓ Exempt from other requirements that apply to other Medicare Advantage plans, such as specific quality and utilization review policies
- ✓ Small number of companies account for large share of enrollment
  - More firms have entered market in 2007
  - Humana; UnitedHealth
- ✓ Could be an appealing option for employers with 65+ retirees

## Number of Special Needs Plans (SNPs), 2004-2007

SNP enrollment is limited to beneficiaries who are: dually eligible for Medicare and Medicaid (dual eligibles); living in institutions; with chronic conditions



2007 Total Enrollment = 842,840

Exhibit 14

## Medicare Advantage Plans Vary Widely in terms of Premiums, Benefits and Cost-Sharing

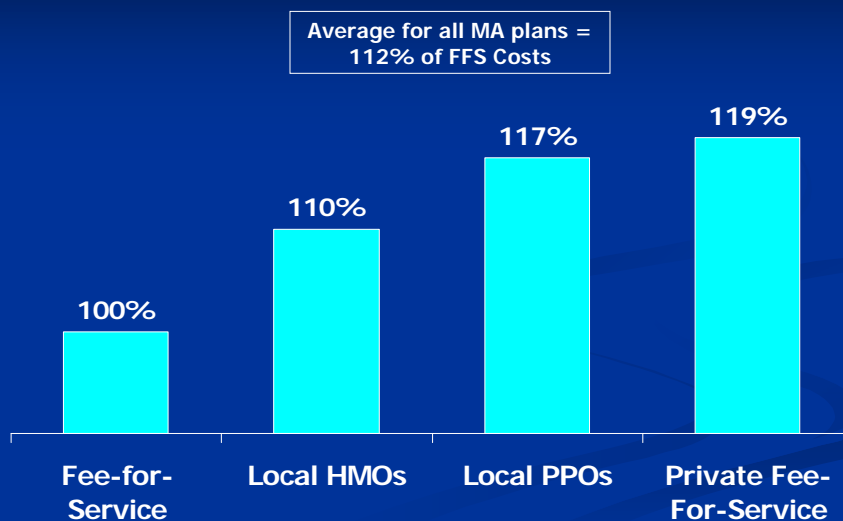
(Case Example, zip code 94601, Oakland, CA)

Type of Plan	HMO (6 plans)	R-PPO (2 plans)	PFFS (14 plans)
<b>Examples</b>			
	Kaiser Permanente Senior Advantage	Freedom Blue Plan I	Humana Gold Choice PFFS
Premium	\$99	\$0	\$62
Inpatient Hospital Care	\$275/day days 1-10; \$0/day days 11-90	10% of cost of each hospital stay (in-network)	\$180/day days 1-5; \$0/day days 6-90
Home Health	\$0 copay	10% of cost	\$0 copay
Skilled Nursing Facility	\$0 copay days 1-20; \$100/day copay days 21-100	10% of cost of each stay	\$0 copay days 1-3; \$90/day copay days 4-100
OOP Limit	\$4,000/year	\$3,000/year	\$5,000/year
Rx Drugs	No coverage in the doughnut hole	Generic coverage in doughnut hole	No coverage in the doughnut hole

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Exhibit 15

## Payments to Medicare Advantage Plans as a Share of Medicare Fee-for-Service Costs, 2006



Source: Medicare Payment Advisory Committee, March 2007.

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## Key Issues and Questions

- ✓ **What are the goals of the Medicare Advantage program?**
  - Deliver Medicare benefits more efficiently/ save Medicare money
  - Improve care management
  - Expand choice – especially in rural areas
  - Give extra benefits to subset of beneficiaries/enrollees
  
- ✓ **Is the current payment system sustainable in current fiscal environment?**
  - CBO projects \$54 billion in savings over five years if plans are paid at FFS rates
  - Impact on Trust Fund
  
- ✓ **Should more be done to level the playing field?**
  - Across different types of plans?
  - Between Medicare Advantage and Traditional Medicare
  
- ✓ **Equity?**
  - Is this approach the most equitable way of delivering extra benefits across beneficiaries nationwide?
  - Are there lessons learned that can be applied more broadly to the Medicare population?