

FOR IMMEDIATE RELEASE: March 12, 2012
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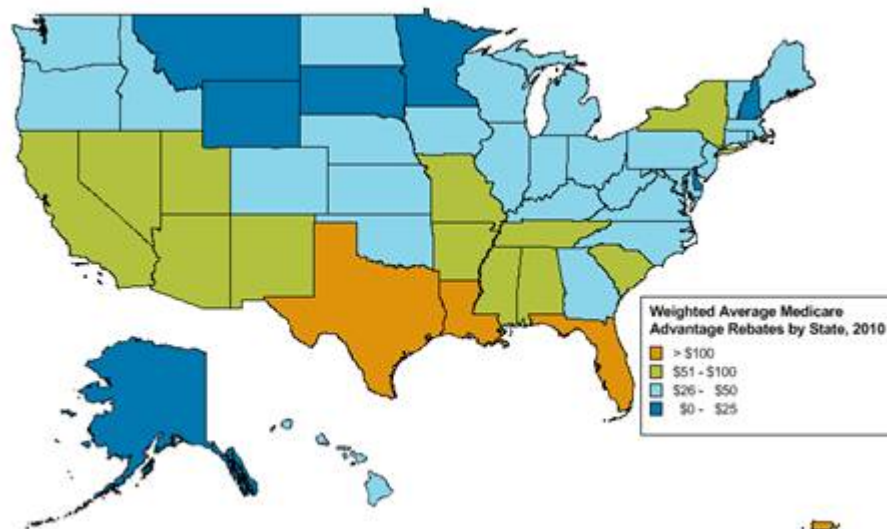
New Avalere Analysis of Medicare Data Shows that on Average Beneficiaries Choosing Medicare Advantage Received Over \$70 in Additional Benefits and Reduced Cost Sharing in 2010

Florida Medicare Beneficiaries Opting for Managed Care Received Highest Additional Benefits and Reduced Cost Sharing in the Nation

Washington, D.C.—An analysis by Avalere Health of data on Medicare private plan payment, released for the first time by the Centers for Medicare & Medicaid Services (CMS), found that nationally Medicare beneficiaries that enrolled in a private health plan, called a Medicare Advantage (MA) plan, received on average over \$70 in additional benefits and reduced cost sharing in 2010 at no charge to them. The analysis also suggests that there is significant geographic variation in the amount of rebates that MA plans receive from the federal government to reduce cost sharing and add benefits at no charge to beneficiaries. For example, beneficiaries in some areas of the country, like Florida and Louisiana, get more additional benefits, at no cost, by enrolling in MA plans than beneficiaries in areas such as Wyoming and Montana.

“Before now, little was known about the dollar value of the rebates received by MA plans. CMS’ recent data release gives greater insight into the value of these rebates, and thus the magnitude of extra benefits and/or reduced cost sharing available to MA enrollees. The bottom line is that beneficiaries who enroll in MA plans across the country do not all get the same level of additional benefits and cost-savings from their MA plans,” said Bonnie Washington, Senior Vice President, Avalere Health.

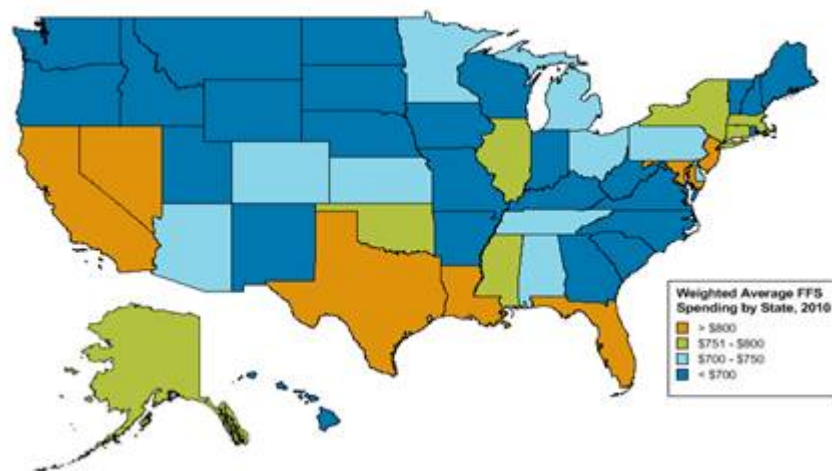
In 2010, the average enrollment weighted rebate amount was \$73 per member per month (PMPM). However, the range of average rebate amounts varied greatly by state. In some states rebates were more than \$100 PMPM while plans in other states receive, on average, less than \$20 PMPM. Florida had the highest average rebate amount at \$154 PMPM. Wyoming and Alaska had the lowest average rebates with \$13 and \$0 PMPM respectively.



Source: Avalere analysis of 2010 MA plan rebate data released by CMS and available at <http://www.cms.gov/Plan-Payment/PPData/list.asp> and MA enrollment from CMS' March 2010 plan enrollment file.

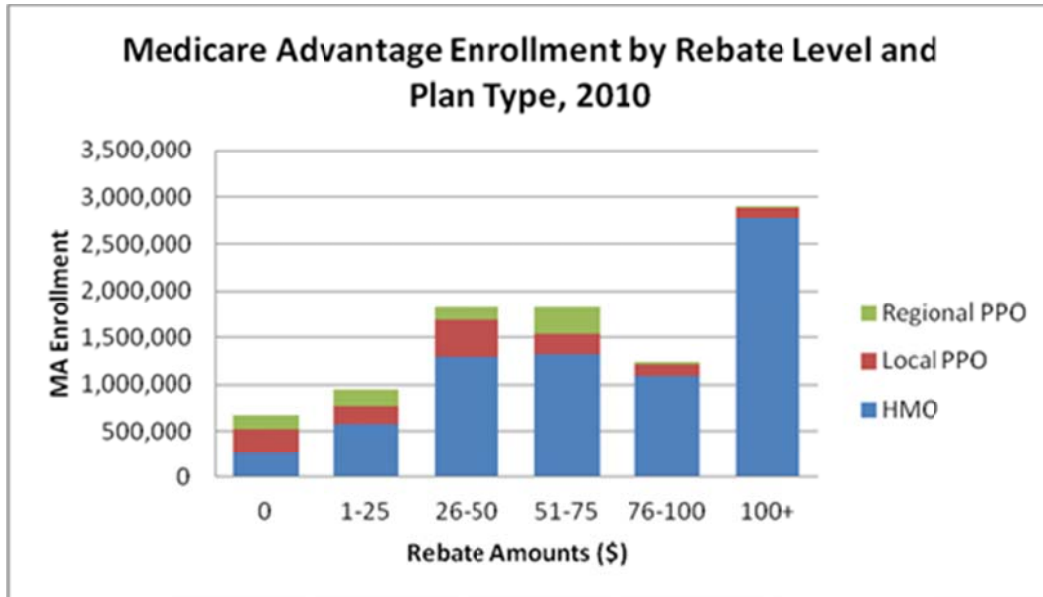
MA plans are attractive to beneficiaries because they often offer benefits beyond those that are covered under Medicare fee-for-service (FFS) and reduce cost-sharing for traditional services. For instance, plans may reduce Part D premiums, add vision or hearing benefits, or offer flat co-payments instead of the co-insurance required in FFS. Plans are able to offer many of these benefits at no cost to beneficiaries through the use of rebates from the federal government. Rebates are plans' share of the savings generated when they bid below the benchmarks that are established for payments each year.

Although MA plan benchmarks were not directly tied to underlying Medicare costs in 2010, there is a relationship between benchmark levels and Medicare FFS costs. The variation in average rebates by state can partially be explained by variation in underlying FFS Medicare costs. In areas where FFS Medicare costs tend to be higher, health plans can often perform more efficiently than Medicare and are able to bid in a way that may be lower than benchmarks. The map below shows average Medicare FFS costs by state in 2010. Three states (Florida, Louisiana, and Texas) with average MA rebates over \$100 PMPM are also states with the highest average FFS spending in 2010.



Source: Avalere analysis of 2010 MA plan rebate data released by CMS and available at <http://www.cms.gov/Plan-Payment/PPData/list.asp> and MA enrollment from CMS' March 2010 plan enrollment file.

In addition, Avalere found that some types of MA plans tended to receive higher rebates. Avalere found that health maintenance organizations (HMO) were more likely to receive higher rebates, and thus offer more supplemental benefits to enrollees, than were local preferred provider organizations (PPOs) or regional PPOs. HMOs are more integrated plan types and may be able to better control costs on the medical benefit resulting in lower bids and higher rebates.



Source: Avalere analysis of 2010 MA plan rebate data released by CMS and available at <http://www.cms.gov/Plan-Payment/PPData/list.asp> and MA enrollment from CMS' March 2010 plan enrollment file.

The Affordable Care Act (ACA) significantly reduced MA plan payments. The ACA lowered the payment benchmarks that plans bid against and also reduced the share of the savings that plans receive as a rebate when they bid below the benchmark. In combination, these changes will serve to significantly decrease available rebate dollars for MA plans. The ACA payment reductions began in 2012 and will be fully implemented by 2017. As the MA payment cuts are fully implemented over the next few years, it is likely that beneficiaries in areas where rebates are currently high will still see some additional benefits, at no cost to them, despite reductions to the benchmarks and rebates, while beneficiaries in areas with lower current rebates may not.

Avalere conducted this analysis using 2010 MA plan rebate data released by CMS and available at <http://www.cms.gov/Plan-Payment/PPData/list.asp>. The data released by CMS includes information on plan bids, rebates, and risk scores, among others. Avalere used March 2010 enrollment data for this analysis available from CMS. The Medicare FFS data was weighted using county level FFS data from the 2010 plan rate announcement and eligibles by county from the CMS' March 2010 plan enrollment file. Avalere did not include private-fee-for-service (PFFS) plans in the plan type analysis because there have been significant changes in PFFS plan participation since 2010 such that the analysis might not be indicative of current performance.

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Avalere Health is an advisory services company whose core purpose is to create innovative solutions to complex healthcare problems. Based in Washington DC, the firm delivers research, analysis, insight, and strategy for leaders in healthcare business and policy. Avalere's experts span 150 staff drawn from the federal government (e.g., CMS, OMB, CBO, and the Congress), Fortune 500 healthcare companies, top consultancies, and nonprofits. The firm offers deep substance in areas ranging from healthcare coverage and financing to the changing role of evidence in healthcare decision-making. Its focus on strategy is supported by a rigorous, in-house analytic research group that uses public and private data to generate quantitative insight. Through events, publications, and interactive programs, Avalere also translates real-time healthcare developments into actionable information.