THE COMMITTEE ON ENERGY AND COMMERCE

MEMORANDUM

December 2, 2013

To: Health Subcommittee Members

From: Majority Committee Staff

Re: Hearing entitled "Medicare Advantage: What Beneficiaries Should Expect Under the President's Health Care Plan"

On Wednesday, December 4, 2013, the Subcommittee on Health will hold a hearing entitled "Medicare Advantage: What Beneficiaries Should Expect Under the President's Health Care Plan." The Subcommittee will convene at 10:00 a.m. in 2123 Rayburn House Office Building. Below is background on the hearing.

I. Witnesses

Douglas Holtz-Eakin
President
American Action Forum

Bob Margolis
CEO, HealthCare Partners
Co-Chairman, DaVita HealthCare Partners

Jon Kaplan
Senior Partner & Managing Director
Boston Consulting Group

Joe Baker
President
Medicare Rights Center

Marsha Gold
Senior Fellow
Mathematica Policy Research

II. Background

Medicare's managed care program, known as Medicare Advantage (MA), currently covers over 14 million Americans (28 percent of all Medicare beneficiaries). There are several types of MA plans, including Health Maintenance Organizations (HMOs), Preferred Provider Organizations (PPOs), Private Fee-For-Services (FFS) Plans, and Special Needs Plans (SNPs).

MA plan coverage includes traditional FFS Medicare services (Part A and B benefits), and, for most plans, prescription drug coverage (Part D benefit) is included as well.

Medicare pays MA plans a monthly capitated rate (defined through an annual bidding process) to cover Part A and B benefits for beneficiaries, with Part D coverage handled separately. Plans may supplement traditional Medicare benefits by reducing cost-sharing requirements for beneficiaries or providing coverage of non-Medicare benefits.[1] Plans may adjust beneficiary premiums to reflect additional benefits provided.

Enrollment in an MA plan can be attractive to beneficiaries for different reasons and satisfaction is generally high.[2] Many MA plans have proven to offer higher-quality care and additional benefits beyond what is offered to beneficiaries in traditional fee-for-service.

PPACA Impact on the MA Program

The MA program has been a part of several reforms over the last four decades, including the Balanced Budget Act of 1997, the Medicare Modernization Act of 2003, and, most recently, the Patient Protection and Affordable Care Act (PPACA). PPACA made over $700 billion in reductions to the Medicare program, including over $300 billion in direct and indirect reductions to the MA program.[3] The reductions to MA were made primarily through revisions in the methodology used to pay plans and develop benchmarks (the maximum amount Medicare will pay a plan in a given area).

The majority of the law's MA funding cuts will begin in 2014. Through 2014, only a small portion of the PPACA reductions had been realized due to a temporary, $8.3 billion demonstration project used by the Centers for Medicare & Medicaid Services (CMS) to offset the PPACA reductions. In 2012, the GAO questioned the legal authority of the Secretary to establish such a demonstration project.[4]

A number of recent news reports and analysis have highlighted growing concerns about PPACA's impact on the MA program. According to a report by the Kaiser Family Foundation, many seniors may lose their existing MA plan in 2014, forcing more than 526,000 beneficiaries to switch to another MA plan or return to traditional FFS. Further, more than 105,000 of those "enrolled in a Medicare Advantage plan in 2013 will not be able to enroll in a Medicare Advantage plan in 2014."[5] Plan availability is just one of the concerns for beneficiaries. As

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[1] MedPac. "Medicare Advantage Program Payment System, Program Basics" October 2013.
[2] AHIP. "Survey: Nine Out of Ten Seniors Satisfied With Their Medicare Advantage." March 4, 2013. Available online at http://www.ahipcoverage.com/2013/03/04/survey-nine-out-of-ten-seniors-satisfied-with-their-medicare-advantage-coverage/
[3] Congressional Budget Office, March 2013.
[4] In a letter dated July 11, 2012, GAO's General Counsel, "advised HHS Secretary Kathleen Sebelius that the Centers for Medicare & Medicaid Services (CMS) has not established that the agency's Medicare Advantage (MA) Quality Bonus Payment Demonstration is within its legal authority under section 402 of the Social Security Amendments of 1967 as amended. In March 2012, GAO issued a report recommending that CMS terminate the $8 billion demonstration because of the demonstration's high cost and significant design shortcomings." The GAO analysis is available online at http://www.gao.gov/products/B-323170
[5] Kaiser Family Foundation. "Medicare Advantage 2014 Spotlight: Plan Availability and Premiums." November 25, http://kff.org/medicare/issue-brief/medicare-advantage-2014-spotlight-plan-availability-and-premiums/

plans are further strained by PPACA's cuts to the program, beneficiaries may see an impact to their existing provider networks, possibly limiting access to high quality care.[6]

III. Conclusion

Should you have any questions regarding the hearing, please contact Monica Popp at 202-225-2927.

[6] Roy, Avik. "Do You Like Your Doctor? Obamacare Drives UnitedHealth To Downsize Its Medicare Physician Networks." Forbes. November 18, 2013. Available online at http://www.forbes.com/sites/theapothecary/2013/11/18/do-you-like-your-doctor-obamacare-drives-unitedhealth-to-downsize-its-medicare-physician-networks/