Medicare Advantage
How Does it Work?

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Medicare Advantage – A Brief Overview

• The MA program allows Medicare beneficiaries the option to receive their benefits through private plans rather than the traditional fee-for-service (FFS) Medicare program.

• Private MA plans receive a monthly per enrollee (capitation) payment from Medicare to provide all Part A and Part B benefits to the plan’s enrollees.
  – The payment is adjusted for the enrollee’s demographics (e.g., age, gender) and health status.

• Many MA plans also include the Part D drug benefit.
# Comparing FFS and MA

<table>
<thead>
<tr>
<th>FFS MEDICARE</th>
<th>Medicare Advantage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government pays providers directly for Medicare (Parts A &amp; B) services provided to a beneficiary</td>
<td>Government pays private plans to furnish Medicare benefits to a beneficiary who enrolls</td>
</tr>
<tr>
<td>Beneficiary is not limited to a specific provider network</td>
<td>MA plan may direct enrollees to a network of providers</td>
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<td>Beneficiary pays monthly Part B premium</td>
<td>Beneficiary pays an MA plan premium (which can be $0) plus the Part B premium</td>
</tr>
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<td>Most beneficiaries buy Medigap or have another source of supplemental coverage (e.g. employer) to help pay FFS cost sharing*</td>
<td>Because MA plans require lower cost-sharing than FFS and provide some additional benefits, MA enrollees do not buy supplemental coverage</td>
</tr>
</tbody>
</table>

*Only about 10% of Medicare beneficiaries have Medicare only. The rest have FFS + supplemental or MA. About 14% also have Medicaid. [http://www.medpac.gov/documents/publications/jun14databookentirereport.pdf?sfvrsn=1](http://www.medpac.gov/documents/publications/jun14databookentirereport.pdf?sfvrsn=1)
Choosing Between FFS and MA

http://www.bestmedicaresupplement.com/advantage
Extra Benefits Provided by MA Plans

- MA plans may supplement FFS benefits by reducing enrollee cost-sharing requirements.
- They may also provide coverage of non-Medicare benefits including:
  - Vision
  - Hearing
  - Dental
  - Health and wellness programs
Enrollees Can Choose Different Types of Plans

HMOs and local PPOs account for the majority of MA enrollment

Figure 2

Distribution of Enrollment in Medicare Advantage Plans, by Plan Type, 2015

Total Medicare Advantage Enrollment, 2015 = 16.8 Million

NOTE: PFFS is Private Fee-for-Service plans, PPOs are preferred provider organizations, and HMOs are Health Maintenance Organizations. Other includes MSAs, cost plans, and demonstration plans. Includes enrollees in Special Needs Plans as well as other Medicare Advantage plans.

31% (16.8 million) of Medicare beneficiaries are in MA - 50% increase from 2010

Figure 1
Total Medicare Private Health Plan Enrollment, 1999-2015

<table>
<thead>
<tr>
<th>Year</th>
<th>Enrollments (in millions)</th>
</tr>
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<tbody>
<tr>
<td>1999</td>
<td>6.9</td>
</tr>
<tr>
<td>2000</td>
<td>6.8</td>
</tr>
<tr>
<td>2001</td>
<td>6.2</td>
</tr>
<tr>
<td>2002</td>
<td>5.6</td>
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<td>2003</td>
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<td>2006</td>
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<td>2007</td>
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<tr>
<td>2008</td>
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<tr>
<td>2009</td>
<td>11.1</td>
</tr>
<tr>
<td>2010</td>
<td>11.9</td>
</tr>
<tr>
<td>2011</td>
<td>13.1</td>
</tr>
<tr>
<td>2012</td>
<td>14.4</td>
</tr>
<tr>
<td>2013</td>
<td>15.7</td>
</tr>
<tr>
<td>2014</td>
<td>16.8</td>
</tr>
</tbody>
</table>

MA Enrollment Varies by State

Figure 5
Share of Medicare Beneficiaries Enrolled in Medicare Advantage Plans, by State, 2015

National Average, 2015 = 31%

NOTE: Includes MSAs, cost plans and demonstrations. Includes Special Needs Plans as well as other Medicare Advantage plans.
SOURCE: Authors’ analysis of CMS State/County Market Penetration Files, 2015.
Medicare Advantage Financing

- Payments for the MA program are made in appropriate portions from the Hospital Insurance (HI) and Supplementary Medical Insurance (SMI) trust funds. There is no separate trust fund for MA.
- For 2015, Medicare payments to MA plans are expected to total $172 billion, accounting for close to 30 percent of all Medicare spending.
- Spending projected at $3 trillion over 10 years.
MA Delivery System Innovations

• MA plans have the flexibility to implement delivery system innovations to provide coordinated, quality care.

• These may include:
  – paying providers for high quality, efficient care
  – managing care for patients with complex conditions
  – ensuring coordinated transitions from one care setting to another
  – using telehealth and remote monitoring technologies
Tufts Health Plan Value Based
Global Payment Strategy

Medicare Advantage – Paying for Value

• MA plans are evaluated every year on measures of clinical quality, patient satisfaction, and customer service. Plans receive a star rating of 1 to 5 stars.

• The star ratings help enrollees compare options in their area through www.medicare.gov.

• MA plans that receive a star rating of 4 stars and above receive quality incentive payments.
Paying for Value Works: Improvements in MA Plan Quality

Figure 13
Enrollment in Medicare Advantage Contracts, by Contracts’ Star Quality Rating, 2013-2015

NOTE: Excludes SNPs, employer-sponsored (i.e., group) plans, demonstrations, HCPPs, PACE plans, and plans for special populations. Totals may not add to 100% due to rounding. Less than 1% of enrollees were in plans with 2 stars in 2013 and 2014.
Questions/Discussion

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