STRATEGIC HEALTH CARE

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KEY PROVIDER ISSUES IN HEALTH CARE REFORM

September 2010 **MEDICARE ADVANTAGE**

Health care reform made significant changes to Medicare Advantage (MA) payment policies. Under the new law, the benchmarks for MA plan bids will be reduced from the current national average of 113 percent to 101 percent of local fee-for-service costs by 2016. The following provisions seek to reduce payments to MA plans as well as strengthen the benefits provided to enrollees.

Benchmarks for Medicare Advantage Plans

MA plan payment rates are determined by comparing plans' bids with Medicare's benchmarks for the maximum amount Medicare pays for Medicare Part A and B services in a given area. PPACA froze 2011 rates at 2010 levels. Beginning in 2012, counties will be ranked based on their fee-for-service cost and benchmarks will vary according to the county's quartile rank, with the lowest benchmarks set in the highest cost counties.

- Quartile 1 – 95 percent of fee-for-service costs (high cost counties)
- Quartile 2 – 100 percent of fee-for-service costs
- Quartile 3 – 107.5 percent of fee-for-service costs
- Quartile 4 – 115 percent of fee-for-service cost (low cost counties)

Quality Rating

Payment rates will increase for plans that meet and exceed new quality ratings. Starting in 2012, incentive payments will be paid to plans that maintain at least a 4 out of 5-star rating. These incentive payments will range from 1.5 to 5 percent. The star rating system will also be used to determine plan rebates to enrollees. Plans that bid lower than the benchmark will receive rebates between 50 to 70 percent of savings based upon their star rating.

Limits on Medicare Advantage Plan Administrative Costs

Beginning in 2014, MA plans will be required to have a medical loss ratio (MLR) of at least 85 percent. All revenues above that must be remitted to the Secretary. Plans that fail to maintain a MLR of 85 percent for three consecutive years will be unable to enroll new plan members; failure to maintain the required MLR over 5 years will result in contract termination.

Annual Beneficiary Enrollment Period

Changes to MA plans include the elimination of the Open Enrollment Period during the first 3 months of a given year. Starting in 2011, an individual who enrolls in an MA plan may choose to return to Medicare Parts A and B during the first 45 days of the year. Additionally, beginning in fall 2011, Medicare Part C and D enrollment periods will be October 15 through December 7 of each year.

For information, visit www.strategichealthcare.net, or
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Special Needs Plans
Health care reform also contains numerous changes to Medicare Advantage Special Needs Plans (MA-SNP), including enrollment, service area, payment structure, and quality requirements. MA-SNPs may continue to enroll qualified individuals until January 1, 2014, but service area expansions will be restricted until December 31, 2012. MA-SNP payment changes include a new "frailty adjustment" beginning in 2011, allowing some plans to be paid using the patient frailty adjusters from the Programs of All-inclusive Care for the Elderly (PACE). Beginning in 2012, MA-SNPs must obtain approval from the National Committee for Quality Assurance to operate.

Extension of Reasonable Cost Contracts
Under current law, in areas in which there are insufficient enrollees, MA-SNPs are permitted to contract with managed care organizations for services. Health care reform will allow MA plans to continue to use reasonable cost contracts contract with managed care organizations until January 1, 2013.

Medicare Advantage Senior Housing Facility Plans
MA plans which offered Medicare Advantage Senior Housing Facility Plans for individuals in continuing care retirement communities through a demonstration as of 2009 will now be allowed to offer the plan permanently.

Authority to Deny Plan Bids
Starting January 1, 2011, the Secretary may deny contract bids that decrease enrollee benefits or impose significant cost sharing increases on plan members. For the 2011 plan year, the Secretary denied premium increases or benefit reductions in about 300 of the 2,000 MA bids submitted.