

Market Variation: Implications for Beneficiaries and Policy Reform

ISSUE: In the June 2003 report, we will describe and characterize the array of insurance options available to Medicare beneficiaries in different markets. This work will inform a more in-depth study of selected sites which will seek to identify factors that have contributed to, or posed barriers to, the effective functioning of markets for different sorts of insurance products for different beneficiary populations.

KEY POINTS: Additional analysis augmenting the materials presented in the March meeting presented here shows that there are particular areas of the country – states and metropolitan areas – where a substantial portion of the Medicare population has no supplemental coverage. Our findings here also show that local market factors and state regulatory policies appear to make a difference.

We have identified important differences in the structure of supplemental coverage that affect beneficiaries' access to coverage and their ability to make meaningful choices among insurance options. In particular, the standardization of benefits, or flexibility in the design of benefits, is critically important for beneficiaries, for employers sponsoring retiree health benefits, and for health plans and insurers deciding how, or whether, to participate in Medicare markets. We also found evidence that distinct markets are shaped by substantively different regulatory policies. The way that regulatory oversight of Medicare products is allocated between the federal government and states will continue to shape the evolution of Medigap, employer-sponsored, and M+C options (as well as supplementation available through Medicaid), and will be critically important in the design of market-based reforms.

ACTION: The June chapter provides a context for describing the salient differences across markets for insurance products and present data illustrating how differences in coverage have played out in different markets. Staff would like Commissioners to comment on the organization and content of the draft chapter.

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