



*Advising the Congress on Medicare issues*

# Competitively-determined plan contributions

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# Review of previous presentations

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- Definition of competitively-determined plan contributions (CPCs)
- Key design issues
- Role of private-sector payment rates in MA bids

# Outline of today's presentation

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- Conceptual framework of a CPC model
- Analysis of plan bids and availability
  - Using MA plan bids for 2013 as a proxy
  - Assuming “local” payment areas
  - Preliminary results assuming no change in plan and beneficiary behavior

# Conceptual framework of a CPC model

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## Medicare

- Set FFS payment rates
- Design the CPC model
- Set rules to determine:
  - CPC contributions
  - Plan payments

## Private Plans

- Entry/exit in area
- Plan bid
- Benefit design/products

## Beneficiaries

- Choose FFS vs. private plan
- Pay premiums based on individual choice

# Analysis of plan bids and availability

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- Data: MA plan bids for 2013
- Redefined payment areas reflecting insurance markets
- “Static” assumptions
  - Same plans participate
  - Bid at their current levels
  - Have capacity to serve the redefined payment area

# Defining payment areas

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- Under current law, MA plans choose counties that make up their service area
- In 2005, the Commission recommended combining counties into larger payment areas
  - Metropolitan statistical areas (MSAs)
  - Outside MSAs, health service areas (HSAs)
- Plans bid for and cover the entire payment area

# Methodology for attributing bids to payment areas from service areas

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- Assume plan bids are constant over the entire self-defined service areas (service areas can be larger or smaller than payment areas)
- Exclude bids not likely to reflect cost of average beneficiary in payment area
  - Plans not available to all beneficiaries (e.g., employer-sponsored plans and special needs plans)
  - Plans without demonstrated capacity in the payment area (e.g., low projected enrollment or did not serve most of the area)

# Summary of redefined payment areas

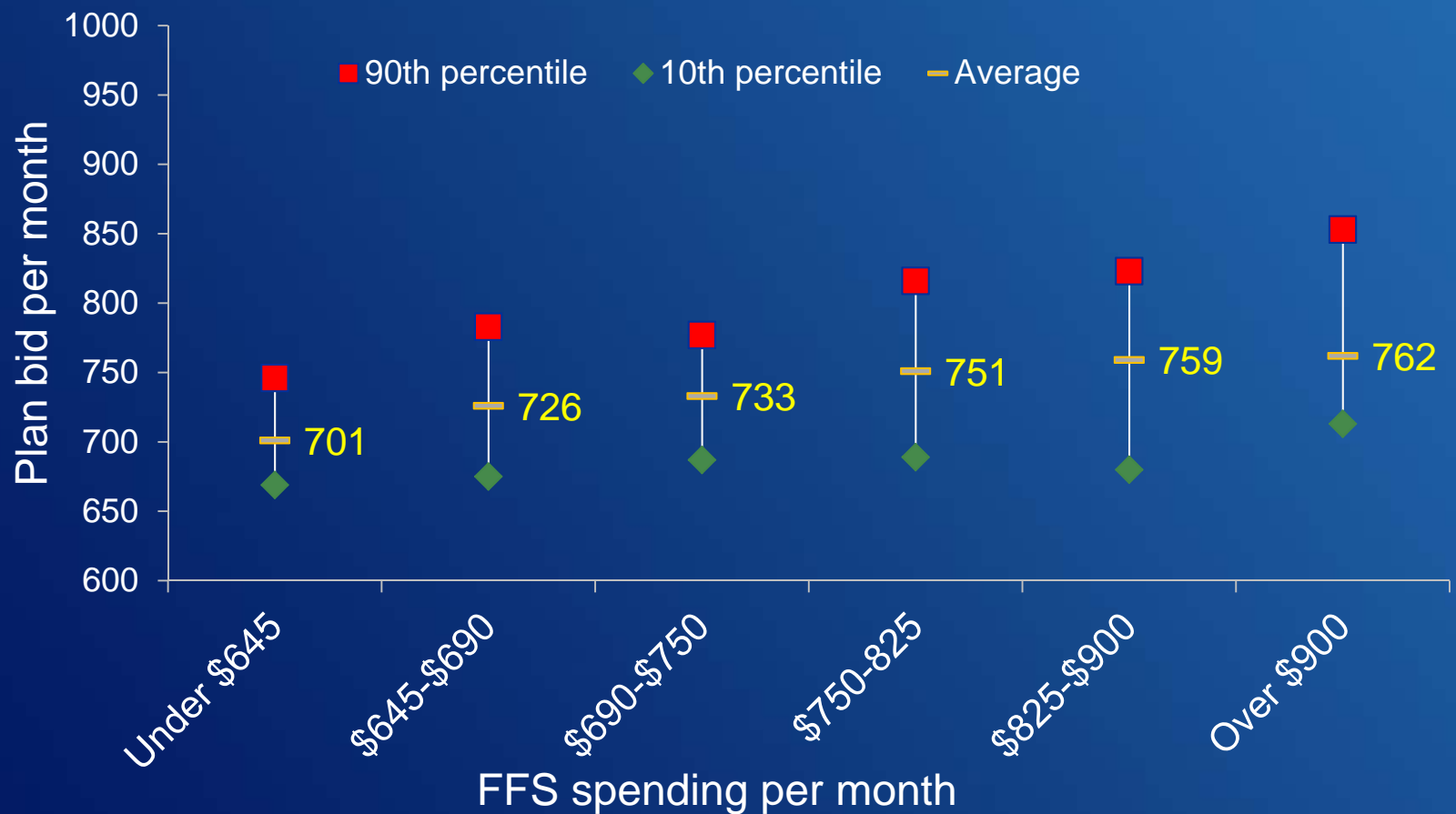
FFS spending for area	Number of areas	Percent of beneficiaries
All areas (average \$784)	1229	100
Under \$645	102	5
\$645-\$690	193	10
\$690-\$750	396	23
\$750-825	337	30
\$825-\$900	145	22
Over \$900	56	9

- Our data after exclusions

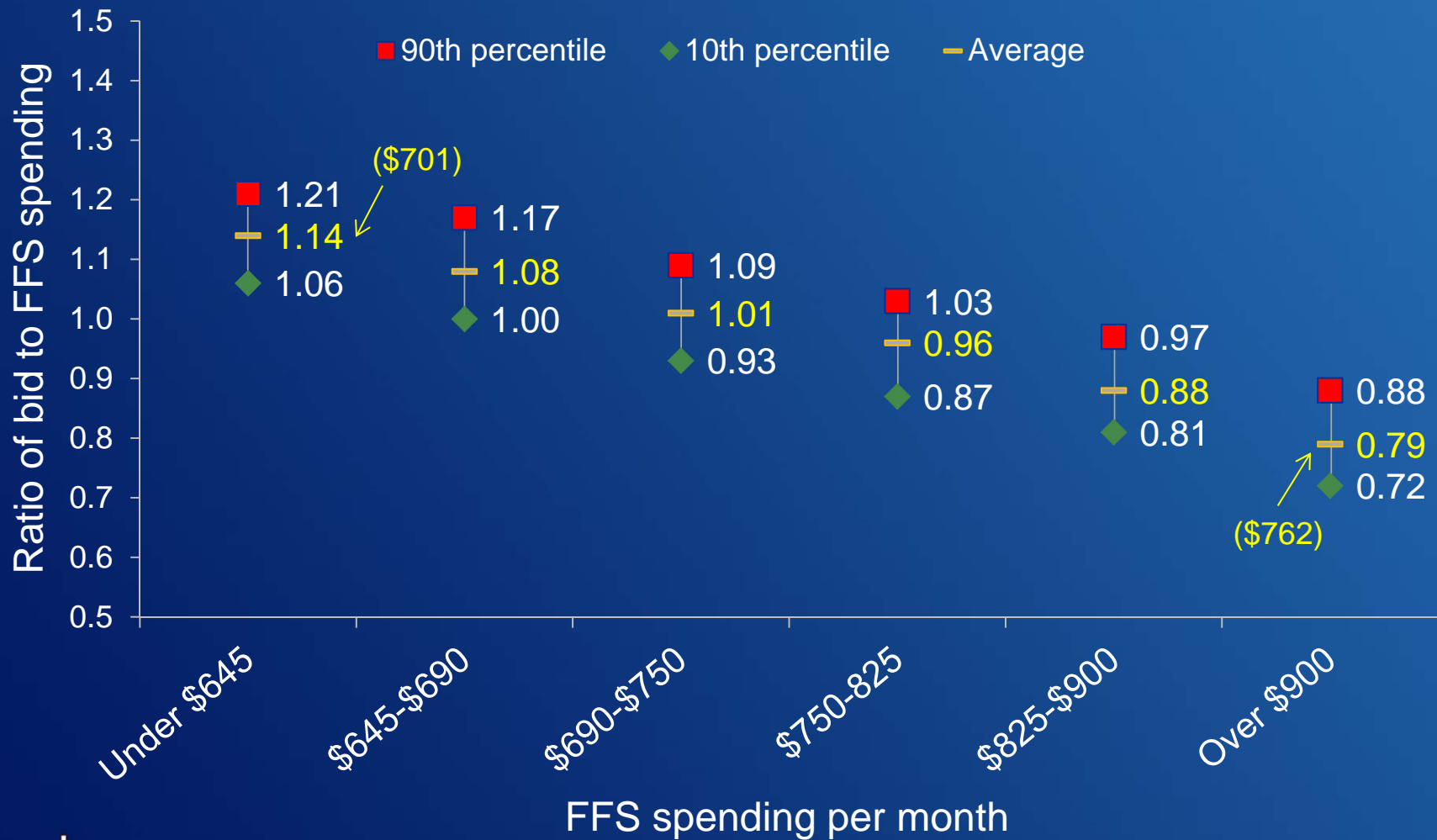
- 1,550 independent bids; average of 4.5 bids per payment area
  - 167 payment areas—2% of beneficiaries—have no bids included in our analysis (0.5% of beneficiaries have no plans under current MA)



# Distribution of plan bids, by FFS spending in payment area



# Distribution of bids relative to FFS, by FFS spending in payment area



# Range of federal contributions under three illustrative scenarios

Illustrative scenario for determining federal contribution	Federal contribution (\$ per month)			Federal contribution relative to FFS			At least one private plan at contribution
	Min	Avg.	Max	Min	Avg.	Max	(Percent of beneficiaries)
<b>100% local FFS</b>	543	784	1,335	1.00	1.00	1.00	86
<b>Average of bids and FFS</b>	589	763	1,131	0.79	0.98	1.10	89
<b>Lesser of average bid and local FFS</b>	543	727	1,110	0.61	0.93	1.00	86

Note: Our analysis assumes no behavioral responses from plans and beneficiaries. Federal contribution excludes quality bonus payments to plans.

Source: MedPAC analysis of 2013 plan data from CMS.

# Premium differences assuming beneficiaries remain in FFS or current plan

Illustrative scenario for determining federal contribution	Average federal contribution relative to FFS	Premium differences per month assuming beneficiaries remain in FFS or current plan					
		Current FFS beneficiaries			Current plan enrollees		
		10th	Avg.	90th	10th	Avg.	90th
<b>100% local FFS</b>	1.00	\$0	<b>\$0</b>	\$0	-\$204	<b>-\$56</b>	\$81
<b>Average of bids and FFS</b>	0.98	-14	<b>10</b>	50	-141	<b>-35</b>	64
<b>Lesser of average bid and local FFS</b>	0.93	0	<b>53</b>	154	-51	<b>17</b>	97

Note: Our analysis assumes no behavioral responses from plans and beneficiaries. Federal contribution excludes quality bonus payments to plans. All beneficiaries are assumed to continue to pay their base (Part B) premium.  
 Source: MedPAC analysis of 2013 plan data from CMS.

# Next Steps and discussion

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- Next steps: issues related to low-income beneficiaries
- Discussion today
  - Questions and comments on methodology and simulation impact
  - Principles for determining the federal contribution under CPC