September 2012

MEDICARE PRIVATE HEALTH PLANS

Selected Current Issues

GAO Highlights

Accountability * Integrity * Reliability

Highlights of GAO-12-1045T, a testimony before the Subcommittee on Health, Committee on Ways and Means, House of Representatives

Why GAO Did This Study

As of August 2012, approximately 13.6 million Medicare beneficiaries were enrolled in MA plans or Medicare cost plans—two private health plan alternatives to the original Medicare fee-for-service program. This testimony discusses work GAO has done that may help inform the Congress as it examines the status of the MA program and the private health plans that serve Medicare beneficiaries. It is based on key background and findings from three previously issued GAO reports on (1) the MA quality bonus payment demonstration, (2) D-SNPs, and (3) Medicare cost plans. This information on cost plans was updated, based on information supplied by CMS, to reflect the status of cost plans in March 2012.

What GAO Recommends

In a March 2012 report on the MA quality bonus payment demonstration, GAO recommended that HHS cancel the MA quality bonus demonstration. HHS did not concur with this recommendation. In a September 2012 report on D-SNPs, GAO recommended that D-SNPs improve their reporting of services provided to beneficiaries and that this information be made public. HHS agreed with these recommendations.

View GAO-12-1045T. For more information, contact James Cosgrove at (202) 512-7114 or cosgrovej@gao.gov.

What GAO Found

In March 2012, GAO issued a report on the Centers for Medicare & Medicaid Services' (CMS) Medicare Advantage (MA) quality bonus payment demonstration—a demonstration CMS initiated rather than implementing the quality bonus program established under the Patient Protection and Affordable Care Act (PPACA). Compared to the PPACA quality bonus program, CMS's demonstration increases the number of plans eligible for a bonus, enlarges the size of payments for some plans, and accelerates payment phase-in. CMS stated that the demonstration's research goal is to test whether scaling bonus payments to quality scores MA plans receive increases the speed and degree of annual quality improvements for plans compared with what would have occurred under PPACA. GAO reported that CMS's Office of the Actuary estimated that the demonstration would cost $8.35 billion over 10 years—an amount greater than the combined budgetary impact of all Medicare demonstrations conducted since 1995. In addition, GAO also found several shortcomings of the demonstration design that preclude a credible evaluation of its effectiveness in achieving CMS's stated research goal. In July 2012, GAO sent a letter to the Secretary of Health and Human Services (HHS), the head of the agency of which CMS is a part, stating that CMS had not established that its demonstration met the criteria in the Social Security Act of 1967, as amended, under which the demonstration is being performed.

In September 2012, GAO issued a report on Medicare dual-eligible special needs plans (D-SNP), a type of MA plan exclusively for beneficiaries that are eligible for Medicare and Medicaid. Dual-eligible beneficiaries are costly to Medicare and Medicaid in part because they are more likely than other beneficiaries to be disabled, report poor health status, and have limitations in activities of daily living. GAO found that two-thirds of 2012 D-SNP contracts with state Medicaid agencies that it reviewed did not expressly provide for the integration of Medicare and Medicaid benefits. Additionally, GAO found that compared to other MA plans, D-SNPs provided fewer, but more comprehensive supplemental benefits, such as vision, and were less likely to use rebates—additional Medicare payments received by many MA plans—for reducing beneficiary cost-sharing. GAO could not report on the extent to which benefits specific to D-SNPs were actually provided to beneficiaries because CMS did not collect the information. GAO also found that plans did not use standardized performance measures, limiting the amount of comparable information available to CMS.

In December 2009, GAO issued a report on Medicare cost plans, which, unlike MA plans, are paid based on their reasonable costs incurred delivering Medicare-covered services and allow beneficiaries to disenroll at any time. GAO found that the approximately 288,000 Medicare beneficiaries enrolled in cost plans as of June 2009 had multiple MA options available to them. GAO updated this work using March 2012 data and found that enrollment in cost plans had increased to approximately 392,000 and that 99 percent of Medicare beneficiaries enrolled in cost plans had at least one MA option available to them, although generally fewer options than in 2009.