

# Committee on Ways and Means

## Medicare+Choice Program Reforms

### Need for Reform

A recent study by former Clinton Administration official Kenneth Thorpe highlights the critical importance of Medicare+Choice, especially to seniors with limited income.

- Nationwide, 40 percent of African-Americans and 52 percent of Hispanics who do not have employer-subsidized coverage or Medicaid choose Medicare+Choice when that choice is available.
- Among Medicare beneficiaries earning \$10,000 to \$20,000 a year and lacking retiree or Medicaid supplemental coverage, nearly 78 percent in southern California, 67 percent in Philadelphia, and 51 percent in Florida enroll in Medicare+Choice.

The Medicare Modernization and Prescription Drugs bill stabilizes the Medicare+Choice program for 2 years, before implementing a more competitive program in 2005.

### Stabilization Provisions in 2003 and 2004

- Add an option for payment at the fee-for-service rate, and include the costs of indirect medical expenditures in this rate (2002 MedPAC recommendation)
- Account for the costs of care to Medicare beneficiaries through the Veteran's Administration or Department of Defense facilities when computing the fee-for-service and blend rates
- Increase the minimum update from 2 percent to 3 percent in 2003 and 2004, so that each plan is guaranteed at least a 3 percent increase in rates
- Remove the budget neutrality provision so that plans may receive a blended rate, if that rate is higher
- Calculate the national rate used in the blend based on Medicare+Choice enrollees instead of all Medicare beneficiaries

### Competition Provisions Beginning in 2005

- Plans compete for enrollees based on cost and quality of care
- Beneficiaries and government save when plans provide efficient care: 75 percent of savings rebated to beneficiaries through reduced premiums or direct monthly payments; government retains 25 percent of savings