

# Committee on Ways and Means

## Medicare+Choice Competition Program

### Problems with Current Administered Price System

- Payment rates for private plans bear little relationship to costs of providing Medicare covered benefits to plan enrollees
- Beneficiaries choose among traditional fee-for-service Medicare and M+C plans based on comparison of benefits, cost sharing, and quality
- Limited opportunity for beneficiaries to choose among plans based on price

### Provisions Under the Medicare+Choice Competition Program

- Private plans submit bids that reflect their costs of providing Medicare covered benefits under Parts A and B
- Plan bids compared to a benchmark
- If plan bid is less than benchmark, beneficiary gets 75% of the savings, and government retains 25%
  - Beneficiary savings can be used to reduce the Part D prescription drug premium, reduce the plan's premium for supplemental benefits, provide a cash rebate, a combination of these options, or other means approved by the Administrator
- If plan bid is greater than the benchmark, beneficiary pays the excess to the plan. The government pays the plan the benchmark amount.
- Benchmark is the higher of:
  - 100% of the fee-for-service rate, including adjustments for expenditures in VA or DoD facilities for services received by Medicare beneficiaries (95% beginning in 2008)
  - M+C floor rate
- Beneficiaries in traditional Medicare are unaffected by these changes in M+C

### Costs and Effects

- CBO estimates costs of competition portion of M+C reform at \$2 billion over 10 years
- CBO estimates that reforms will lessen the reduction in M+C enrollment