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Health Plans Bristle as CMS Cuts Medicare Advantage Payments

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WASHINGTON

Health plans participating in the Medicare Advantage program in 2010 will be asked for the first time to accept lower payments than the prior year, under rate and reimbursement guidelines released by the Centers for Medicare & Medicaid Services.

Though the final guidelines proved not quite as harsh for insurers as those proposed in February in connection with a preliminary 45-day notice, the cuts still are drawing deep disappointment from participating companies, for whom the Medicare Advantage market has proved a steady source of growth in recent years. Enrollees represent 19% of the total 44 million enrolled in Medicare, according to a June 2008 study by the Kaiser Family Foundation.

Under the new rate structure, CMS revised its projection for per capita growth from 0.5% to 0.81%, but that was still significantly less than the 4% incremental rate growth in recent years. CMS also announced it would implement a 3.41% cut to the plans in 2010 to bring reimbursement in line with similarly coded procedures at traditional Medicare, which was less than the originally proposed 3.74% reduction.

Health plans have until June 1 to submit bids to offer Medicare Advantage plans in 2010, and some major providers of the plans already are anticipating changes. WellPoint spokeswoman Janice Kyser said the group is "closely analyzing all aspects of the CMS announcement," but that the industry has warned Congress and the administration that cuts to MA funding would lead to "increased cost sharing, reduced benefits and fewer choices for America's seniors, especially low-income and minority seniors, those living in rural areas, and other eligible beneficiaries."

"Medicare Advantage payments are used to provide benefits such as coordinated care to seniors and individuals with disabilities that is not available in traditional Medicare," Kyser said. "As a result, any such reduction in payments would mean reduced benefits for members."

Jane Galvin, director of regulatory affairs at the Blue Cross and Blue Shield Association, said health plans had advocated the coding adjustments apply only to selected plans, but CMS opted to apply the change industrywide. She said the net effect of the changes is that reimbursements to private insurers that administer Medicare Advantage plans would fall by as much as 4.5% next year, though less than the 5% cuts initially proposed.

"With less in government payments, plans will be challenged in 2010 and beneficiaries could face

higher monthly premiums," Galvin said. "Medicare beneficiaries in general have limited incomes and need continued protections against their health care costs and overall beneficiaries in MA have lower out-of-pocket costs when compared to those in traditional Medicare."

America's Health Insurance Plans noted that CMS, in its calculation assumed that physicians would see a scheduled 21% reduction in payments under Medicare, even though Congress has voted to postpone such reductions annually every year since 2003 and the current administration budget already anticipates Congress will take similar action this year.

"Because they are based in part on scheduled cuts to physician payments that Congress will never let go into effect, these rates could impact seniors in ways Congress never intended," AHIP spokesman Robert Zirkelbach said. "We agree with members of Congress from both parties that CMS should develop a one-time solution to this unique circumstance in order to mitigate the potential impact on millions of seniors."

The cuts came despite an amendment added to the Senate-passed budget resolution seeking to "protect Medicare Advantage enrollees from premium increases and benefit reductions" as a result of CMS' methodological changes. CMS also received letters from 17 senators ahead of the April 6 deadline asking the agency not to make significant changes in the payments until a more permanent solution could be found. The senators include Max Baucus, D-Mont., and Charles Grassley, R-Iowa, the top Democrat and Republican, respectively, on the Senate Finance Committee, which holds jurisdiction over Medicare.

"Given the extraordinary circumstances surrounding the fee schedule and Medicare Advantage, we urge CMS to take appropriate steps to address this issue," Baucus and Grassley wrote. "We remain firmly committed to CMS following its statutory mandate. But we also see this as a circumstance that warrants an innovative solution."

Private Medicare Advantage plans offer seniors coverage for physician care, hospital services and prescription drugs, but also may include coverage for dental, vision and hearing. However, they can include higher fees than traditional, fee-for-service Medicare if beneficiaries get care outside their plan's provider network.

President Barack Obama and many congressional Democrats, including Rep. Pete Stark, chairman of the House Ways and Means health subcommittee, want to bring reimbursement in line with 100% of the government's traditional fee-for-service Medicare program. Federal payments to Medicare Advantage plans cost the government \$94 billion a year, according to Kaiser, while White House Budget Director Peter Orszag has estimated Medicare Advantage plans are paid \$1,000 more per beneficiary than the cost of serving the same beneficiary under traditional fee-for-service Medicare.

As part of his fiscal year 2010 budget, unveiled last month, Obama proposed to set aside \$634 billion in a reserve fund to finance health care reform transitions. The plan calls for \$177 billion to be financed by cuts to Medicare Advantage. Under the Obama plan, providers would submit competitive bids in each region much as they do today. However, instead of a benchmark set by law, as is now, the payment to plans would be based on the average of the bids submitted. It would be weighted by a system based on enrollment the previous year.

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