

# Experts assess private plans' role in Medicare

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WASHINGTON — An independent, expert panel of the National Academy of Social Insurance (NASI) has issued its final report on the role of private health plans in Medicare. Overall, the panel concluded that private health plans have made a positive contribution to the program, although they have fallen short of meeting all the expectations set for them.

The panel offered thirteen recommendations to strengthen both fee-for-service and private health plans in Medicare.

The panel was comprised of 12 experts with a wide variety of backgrounds and political philosophies, and was chaired by Mark Schlesinger, Ph.D., Associate Professor at Yale and Rutgers Universities, and directed by Kathleen King, Director of Health Policy for NASI.

"The panel used multiple criteria to evaluate the performance of both fee-for-service and private health plans in meeting the distinctive needs of beneficiaries," said Mark Schlesinger. "They strove for a comprehensive, objective, and evidence-based evaluation in order to inform the debate."

The panel identified four strengths associated with private health plan involvement in Medicare.

- The public strongly supports giving Medicare beneficiaries an option to choose between FFS Medicare and private health plans. Beneficiaries who fare least well in the FFS program particularly value private health plan options.

- Private health plans have provided some beneficiaries with benefits not covered by original Medicare, such as outpatient prescription drugs and preventive services.

- When Medicare beneficiaries are enrolled in coordinated care plans (a subset of Medicare private health plans), they enjoy greater financial security than in FFS, moderate improvements in preventive care, and reductions in racial and econom-

ic disparities in the use of preventive services.

- The performance measures first developed for private health plans have been subsequently adopted in FFS Medicare, enhancing quality and accountability for that part of the program.

However, the panel also found that Congress, over time, has established conflicting expectations for private health plans in Medicare which have hampered their performance, have produced unexpected consequences, and have failed to account for the distinct health needs of Medicare's beneficiaries.

- Private health plans were introduced to Medicare in hopes of controlling costs and improving quality. But the panel found little evidence that these plans have reduced the rate of growth in Medicare spending, compared to FFS.

- Evidence has not shown that private health plans have produced demonstrably better care than FFS, particularly for beneficiaries who are disabled or have serious chronic illnesses.

- Private health plans are often assumed to bring market forces to bear in Medicare. But payments to plans are currently based on formulas that do not harness the potential of competitive forces, while exacerbating market instability.

The panel advises Congress to moderate its expectations of savings from private plans, provide targeted incentives to improve quality, and conduct demonstrations setting payments to plans based on competitive bids. The panel's recommendations include:

- That the program conduct competitive bidding demonstrations to test whether market forces can control costs and improve the stability of plan participation and benefits. Most panel members recommended that traditional Medicare be excluded from the demonstrations to

provide vulnerable beneficiaries with greater stability, but that view was not unanimous.

- That premiums for Medicare supplemental (Medigap) insurance be community rated, to ensure that beneficiaries can get Medigap coverage when they want to return to traditional Medicare.

- That Medicare conduct more comprehensive efforts to educate beneficiaries about both parts of the program. The study panel found that high levels of private plan involvement in local communities were associated with lower support by beneficiaries for Medicare, perhaps because they are less able to understand that private health plans are part of Medicare.

Robert Reischauer, president of the Urban Institute and Chairman of NASI's Medicare Steering Committee, welcomed the report.

"At a time when Congress is debating how to structure the role of private health plans for the future, this report provides dispassionate, credible information and insight into the way private health plans have performed in Medicare and makes recommendations to improve their performance," Reischauer said.

The members of the panel include: Alfred Chiplin, Jr, J.D., Center for Medicare Advocacy; Deborah Chollet, Ph.D., Mathematica Policy Research; Robert Crane, M.D., Kaiser Permanente; Brian Dowd, Ph.D., University of Minnesota; Carroll Estes, Ph.D., University of California-San Francisco; Rashi Fein, Ph.D., Harvard University; Ann Flood, Ph.D., Dartmouth University; Barbara Gagel, M.B.A., Independent Consultant; Mark Pauly, Ph.D., University of Pennsylvania; Mark Peterson, Ph.D., University of California-Los Angeles; and Gary Young, Ph.D., Boston University. □