



Health Reform – Medicare Advantage Discussion

Strategies: Specific Regulatory Pressures

- Change in payment rate methodology
 - Benchmark reductions
 - Rebates based on Stars
- Continue MA versus FFS coding adjustments
- Minimum 85% loss ratio
- Part D
 - Filling in Part D coverage gap
- Payment for quality
- Competition
 - Accountable Care Organization FFS demonstrations
 - Coordinated Dual Demonstration

Reconciliation Bill – MA Changes

- Restructure Medicare Advantage (MA) Payments
 - Set payments to different percentages of Medicare FFS rates
 - Higher payments for areas with low FFS Rates
 - Lower payments for areas with high FFS rates
 - Ultimate payments will fall in one of the following percentages of FFS rates:
 - 95%
 - 100%
 - 107.5%
 - 115%
 - Revised payments phased in over 2/4/6 years
 - 2012-2016 rates= blend of new and old



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Reconciliation Bill – MA Changes

- Provide Bonuses to Plans Receiving 3 or More Stars
 - Effective 1/1/2012
 - Bonuses vary between 3-5%
 - Qualifying plans in qualifying areas receive double bonuses.
 - Cap total payments, including bonuses, at current payment levels.
 - Starting in 2015, < 4 Stars will receive 0%

Star Quality Bonus

Year	New Plan	< 3.0 Stars	3 Stars	3.5 Stars	4 Stars	4.5 Stars	5 Stars
2012	3.00%	0.00%	3.00%	3.50%	4.00%	4.00%	5.00%
2013	3.00%	0.00%	3.00%	3.50%	4.00%	4.00%	5.00%
2014	3.50%	0.00%	3.00%	3.50%	5.00%	5.00%	5.00%
2015	3.50%	0.00%	0.00%	0.00%	5.00%	5.00%	5.00%

Demonstration currently goes through CY2014 but could potentially be removed sooner.



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2013 MA Rebate Tied To Plan's Star Rating

- Modify Rebate System

- Based on a plan's quality rating rather than 75% for all
- New rebates vary between 50-70%
- 2012: 2/3 @ 75% + 1/3 @ STAR level
- 2013: 1/3 @ 75% + 2/3 @ STAR level
- 2014 and beyond: Full STAR level
- 2012 Star Rating example: Assumes a 3.0 STAR rating

Star Rating	Pre-ACA	2012	2013	2014
>=4.5	75.00%	73.33%	71.67%	70.00%
>=3.5 and < 4.5	75.00%	71.67%	68.33%	65.00%
< 3.5	75.00%	66.67%	58.33%	50.00%

Rebate Calculation

	3.0 Star Rating				4.5 Star Rating			
	Pre-ACA	2012	2013	2014	Pre-ACA	2012	2013	2014
Savings	\$114.00	\$114.00	\$114.00	\$114.00	\$114.00	\$114.00	\$114.00	\$114.00
% Retained	75.0%	98.7%	98.3%	99.0%	75.0%	73.3%	71.7%	70.0%
Rebate	\$85.50	\$79.00	\$84.00	\$87.00	\$85.50	\$83.60	\$81.70	\$79.80



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Illustration of Impact of Stars Ratings

- In 2012, assume two plans contract with CMS in a high payment FFS county with identical \$114 savings, benefits, \$0 member premiums and
 - Plan A has a 4.5 average Star rating
 - Plan B has a 3.0 average Star rating

Assuming all else being equal (i.e. trends, risk scores, etc.),

- In 2012, Plan A would experience a \$15 PMPM competitive advantage over Plan B (or about 1.5% - based on difference of rebates + quality payments)
- By 2014, Plan A's competitive advantage over Plan B would increase to almost \$40 PMPM (or about 4%)
 - Plan B's member benefits will be less competitive



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Reconciliation Bill – MA Changes

- Continue MA vs. FFS Coding Adjustment
 - Established minimum adjustments for 2014+
 - Need to think about adjustments to Coding Initiatives
- Minimum Coding Adjustment per CMS
 - 2013: 3.41%
 - 2014: 4.71%
 - 2015: 4.96%
 - 2016: 5.24%
 - 2017: 5.49%
 - 2018: 5.74%
 - 2019: 5.70%

Reconciliation Bill – MA Changes

- Establish 85% Minimum Loss Ratio (MLR)
 - Return difference to CMS beginning for contract year 2014
 - Suspend plan enrollment for 3 years if the MLR is less than 85% for 2 consecutive years
 - Terminate the plan contract if the MLR is less than 85% for 5 consecutive years

Reconciliation Bill – Part D Changes

- Fill in the Medicare Part D Coverage Gap
 - Phase down gradually the beneficiary coinsurance rate in the gap from 100% to 25% by 2020

Year	Plan Liability		Pharma Responsibility		Member Responsibility	
	Generic	Brand	Generic	Brand	Generic	Brand
2011	7.0%	0.0%	0.0%	50%	93.0%	50.0%
2012	14.0%	0.0%	0.0%	50%	86.0%	50.0%
2013	21.0%	2.5%	0.0%	50%	79.0%	47.5%
2014	28.0%	2.5%	0.0%	50%	72.0%	47.5%
2015	35.0%	5.0%	0.0%	50%	65.0%	45.0%
2016	42.0%	5.0%	0.0%	50%	58.0%	45.0%
2017	49.0%	10.0%	0.0%	50%	51.0%	40.0%
2018	56.0%	15.0%	0.0%	50%	44.0%	35.0%
2019	63.0%	15.0%	0.0%	50%	37.0%	35.0%
2020	75.0%	25.0%	0.0%	50%	25.0%	25.0%

➤ Beginning in CY2013, plans are required to cover benzodiazepines and barbituates.



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Thank You

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