Insight

Cutting the Future: The War on Medicare Advantage

CHRISTOPHER HOLT | FEBRUARY 24, 2015

Earlier this year, Secretary of Health and Human Services (HHS) Sylvia Burwell announced a new initiative to incentivize "value" instead of "volume" through Medicare's payment policies.[1] In other words, Secretary Burwell acknowledged that fee-for-service (FFS) medicine—or traditional Medicare—is a broken payment model that needs to be abandoned.

Fortunately, already existing within the Medicare program—side-by-side with FFS—is a program that does this: the Medicare Advantage (MA) program. As observed by American Action Forum (AAF) President Douglas Holtz-Eakin and AAF analyst Tara O'Neill in the Huffington Post, MA plans outperform FFS in 9 out of 11 clinical quality measures. These include screening and exams for diabetics, cardiovascular disease, breast cancer, heart failure and antidepressant medication management, while 90 percent of MA enrollees are satisfied with their plan.[2] Further, MA benefits the most vulnerable seniors; 37 percent of enrollees have incomes of less than $20,000 per year.[3]

It's surprising then that MA has been under sustained attack from the Centers for Medicare and Medicaid Services (CMS) throughout the Obama Administration, particularly in the wake of the Affordable Care Act (ACA). In fact, the ACA mandated cuts of around $200 billion to MA to offset spending on new health entitlements for those under the age of 65.[4]

Instead of embracing MA and moving toward a more coordinated, patient-driven approach for Medicare, the administration is working to cripple the program. AAF's research shows that in 2015, the average MA beneficiary has seen more than a 13 percent cut in their benefits as a result of CMS' ongoing cuts when compared to the pre-ACA baseline projections.[5] In other words, the value of seniors' MA plans has been reduced by an average of $1,538 per beneficiary.

In light of the Secretary's focus on moving away from FFS, one would reasonably expect the administration to curtail its assault on MA. Yet in the face of overwhelming, bi-partisan opposition, CMS is once again proposing new cuts. While the proposed cut for 2016—averaging just less than 1 percent across all plans—may seem small, the cumulative effects are truly damaging to the program and to seniors. With total cuts in excess of 13 percent, and almost 10 percent in cuts over the last two years alone, it's time for CMS to restore funding to this vital program. Continuing to cut MA—even at a slower pace—harms beneficiaries and undermines HHS's own stated goals of moving away from a broken FFS payment model.

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[1] http://americanactionforum.org/insights/hhs-takes-wrong-steps-in-the-right-direction