



# Medicare: Today's Issue

February 23, 2004

## *BETTER BENEFITS – MORE CHOICES*

### *Good News about the Medicare Prescription Drug, Improvement and Modernization Act of 2003!*

#### Regional PPOs – Entry and Retention Fund:

Senior and disabled Medicare beneficiaries asked for a wider range of private plan approaches, more choices, better benefits, and expanded services. Through the Medicare Advantage (MA) program, the new Medicare law establishes new ways to promote beneficiary choice and provide better access to health care providers. For example, the Secretary of Health and Human Services is given several new tools to attract and retain regional Preferred Provider Organization (PPO) plans throughout the country.

- ⌘ Specifically, starting in 2007 a plan entry and retention fund will be created consisting of \$10 billion and additional monies from the plan bids.

In instances where regional Medicare Advantage plans bid below their applicable regional price benchmarks, these plans can use 75 percent of the difference between their bids and the benchmarks to either provide extra benefits or to reduce premiums. The remaining 25 percent is returned to the government, and half of that amount is used to further fund the plan entry and retention fund.

- ⌘ The Secretary can use the fund in several ways:

- ❖ If an insurer enters the program nationally (by bidding to provide an MA regional plan in all regions), then its benchmark payment in each region is increased by 3 percent. This payment is available for one year only, and it is not available if there was a national plan the prior year.
  - ❖ If no regional MA plans serve a given region in one year, then the Secretary may increase the benchmark for that region for the following year. The Secretary will have to decide the extent and duration of any benchmark increase that may be necessary to attract a sufficient number of plans.
  - ❖ If plans signal that they are going to leave a region, the Secretary may increase the benchmark in that region in an effort to retain plans and attract new bidders. Two additional conditions must be met: the exits must result in fewer than 2 regional organizations being available, and the proportion of Medicare beneficiaries in the region who enroll in MA must be less than the proportion nationally. The Secretary would have to determine the amount of any increase necessary to keep plans serving the region, and the increase can last for up to two years.
- ⌘ Any payments from the plan entry and retention fund would be subject to a strict budget constraint. The Secretary and the Centers for Medicare and Medicaid Services actuaries would have to certify that there is enough money in the fund to cover any proposed disbursements. They also may limit enrollment in regional plans receiving the payments to make sure enough money is available.
  - ⌘ The Secretary must also periodically report to Congress about how the plan entry and retention fund has been used and the market conditions in regions that make its use necessary.