

# Medicare Payment Coalition for Frail Beneficiaries

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**Problem:** The original formula underlying payments to M+C plans (AAPCC) underpredicts risk by half for the highest cost beneficiaries, dramatically underpaying plans with a disproportionate share of frail or disabled members. The M+C risk adjustment method initiated in 2000 reduces underpayment levels, but continues to penalize plans with high-risk populations. CMS is evaluating additional comprehensive risk adjustment options to determine which models produce the most equitable distribution of Medicare dollars relative to the health risk of the enrolled population and associated costs. Health plans with a special interest in care of the frail elderly can shape the future payment methodologies through joint policy research and advocacy activities focused on establishing a level playing field for plans and providers serving high risk populations.

**Purpose:** The purpose of the MPCFB is to develop a collective strategy for refining payment methods for specialized M+C plans for frail, chronically ill Medicare enrollees to accurately reflect their costs.

## Core Coalition Functions

Provide leadership to ensure financial viability of specialized M+C programs for the frail.  
Conduct policy research producing compelling evidence for alternative payment strategies that increase financial viability and provide incentives for plans to serve frail Medicare beneficiaries.  
Establish a database for testing payment models on "real world" data from specialized plans serving frail beneficiaries.  
Support and collaborate with HCFA, MedPAC and other decision-makers in evolving a fair and equitable payment formula for the frail elderly.  
Identify and promote legislative and regulatory measures to improve payment for frail enrollees.

## 2002 Membership

Community Health Partnership, Eau Claire, WI  
Elder Care of Dane County, Madison, WI  
Elder Health - Baltimore, MD  
Elderplan- NY, NY

EverCare- Minneapolis, MN (national market)  
Fairview Partners, Minneapolis, MN  
Geriatrics - San Diego, CA (national market)  
Inglis Innovative Services – Philadelphia, PA  
SCAN - Long Beach, CA

## MPCFB Membership Criteria

Provide care under capitation or sub-capitation arrangements  
Hold special interest in frail elderly/disabled  
Provide for comprehensive benefits and care management services  
Conduct specialized screening and interventions  
Track quality, cost and utilization data  
Have special expertise in geriatric services

## Key M+C Payment Issues

Absence of adequate frailty factors  
Risk of year-to-year instability of payment  
Inability to target or exclusively serve frail  
No financial incentives to serve high-risk clients,  
Structural issues with risk adjustment, e.g. lag  
Lack of clarity regarding acceptable trade-off between payment levels and outcomes

## Principles for M+C Payment & Risk Adjustment

Establish uniform risk adjustment methods for all M+C plans  
Establish a payment structure that compensates appropriately for highest cost beneficiaries  
Achieve neutrality relative to care setting  
Account for medical diagnoses from all settings, functional health status and comorbidities  
Ensure full and fair payment for specialized plans serving a disproportionate share of frail enrollees

## Objectives of Financial Incentives

Reduce prevalence rates of high-cost conditions  
Enhance Medicare and Medicaid coordination  
Establish specialized programs for frail, vulnerable, high-cost Medicare beneficiaries  
Create structure for rewarding quality for high-cost populations and/or conditions.