

Medicare Payment Coalition for Frail Beneficiaries

MEDICARE PAYMENT COALITION FOR FRAIL BENEFICIARIES

Fair Payment for Frail Medicare Beneficiaries

ISSUES

- Chronic conditions are the fastest growing segment of health spending, consuming 78% of direct medical expenditures.
- Two-thirds of elderly have 2 or more chronic conditions, accounting for 95% of Medicare costs and one-third have 4 or more conditions accounting for almost 80% of Medicare spending.
- Medicare payment methods discourage plans/providers from serving frail, high cost beneficiaries.
- AAPCC payments overpay lowest-cost enrollees by 250% and underpay highest-cost by 50%.
- Risk adjusted M+C payment methods improve accuracy, but still underpay high-cost up to 30%.
- M+C rules do not permit specialization for frail and at-risk Medicare beneficiaries.
- Financial incentives are needed to encourage specialization in care for frail/at-risk beneficiaries:
 - ✓ Beneficiaries with 5 or more chronic conditions see on average 14 different physicians and average 37 office visits annually. Many receive different diagnoses for the same set of symptoms and contradictory advice because there is little to no coordination among providers serving the same patient.
 - ✓ Critical services for frail elderly are not covered: disability prevention, care coordination and co-morbidity management, medication management, patient education on self-care strategies, etc.
 - ✓ M+C plans offer a model for enhancing care coordination, improving outcomes and controlling costs.
- M+C risk adjustment methods must be refined for frail beneficiaries and complementary strategies must be devised to ensure full and fair payment for frail Medicare beneficiaries.

SOLUTION: ESTABLISH INTERIM M+C PAYMENT STRATEGIES FOR SPECIALIZED PROGRAMS FOR FRAIL ELDERLY:

Until the Secretary identifies an M+C payment methodology that accurately accounts for costs associated with the frailty levels and chronic conditions of the enrolled population:

- Maintain existing waived payment methods for Medicare demonstrations for the frail elderly such as the Social HMO, Minnesota Senior Health Options program, and Wisconsin Partnership program.
- Maintain 90/10 blended rate for specialized plans for the frail elderly residing in institutions.
- Require the Secretary to establish a five year demonstration to develop and evaluate: (1) payment models that pay appropriately for specialty M+C plans that exclusively serve or serve a disproportionate number of frail or at risk beneficiaries; and (2) clinical models that improve outcomes beyond “usual care.” This demo is intended to encourage more mainstream M+C plans to enroll frail, medically complex beneficiaries, resulting in improved care and more effective use of existing resources.

Criteria for "specialized programs for the frail elderly"

- Plans must exclusively serve frail Medicare beneficiaries or serve a disproportionate number.
- Plans must employ a clinical delivery system specifically designed to meet the needs of the frail elderly and chronically ill beneficiaries, such as protocols to prevent or minimize disability progression, to manage disease, and to identify risk of institutionalization or functional decline; specialty trained physicians and health professionals; methods for promoting coordination and continuity of care.
- Plans must collect data determined by the Secretary to be necessary to monitor costs, quality, and outcomes of specialized programs for the frail elderly such as functional status measures and inpatient and ambulatory encounter data.

Direct CMS, as it evaluates new risk adjustment models, to evaluate and report to Congress on alternatives to increase payment accuracy for frail elderly. Such alternatives might include hybrid risk adjustment systems; partial capitation; identifying new diagnostic and service markers that predict high risk; improving structural components of payment model; ensuring appropriate payment for persons with co-morbidities; testing concurrent risk adjustment methods; and testing all models using data from specialized plans for frail elderly.

Direct MedPAC to identify frailty indicators and develop recommendations regarding a frailty adjustment to the M+C risk adjustment methodology that ensures appropriate payment for M+C plans that serve a disproportionate number of frail or at risk Medicare beneficiaries.