



## THE “BOTTOM LINE”

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### MEDICARE+CHOICE

In 1997, Congress made a number of significant changes to Medicare. One of the major changes expanded the number of health plan options available to Medicare beneficiaries. This new program is called “Medicare+Choice.” Significant issues will need to be addressed as Medicare+Choice is implemented, including: risk segmentation, consumer disclosure, capitation payment levels, solvency requirements and other regulatory issues. A new Academy Monograph, *Actuarial Issues in the Expansion of Beneficiary Options Under Medicare+Choice* (January, 1999), makes the following comments about these issues:

- **Risk Segmentation:** Risk segmentation occurs when a health plan enrolls individuals who are significantly more or less healthy than average. As Medicare+Choice gives beneficiaries more options, plans with higher out of pocket costs and restricted provider networks will likely attract healthier people.
- **Consumer Disclosure:** Providing understandable information for consumers to choose between plans is essential - - and very difficult. It is important to communicate information such as what is covered, cost, restrictions on benefits, providers and quality of services.
- **Payment Levels:** Reduced Medicare HMO payment levels resulting from the Balanced Budget Act, including risk adjusted payment formulas, may limit the number of health plans wanting to participate in Medicare+Choice.
- **Solvency Requirements:** Changes in solvency requirements for health plans aimed at encouraging the development of provider sponsored organizations, may not be adequate to meet that goal.
- **Other Issues:** The impact of Medicare+Choice on employer-sponsored retiree health plans needs to be closely monitored. The availability of Medicare HMO plans is also an important consideration under the new Medicare+Choice program.

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