

Republicans Charge CMS With Trying To Sway Seniors' Votes Using MA Demo

By Steve Teske | July 25, 2012 10:18PM ET

July 26 (BNA - Daily Report for Executives) -- House Oversight and Government Reform Committee Republicans July 25 accused the Centers for Medicare & Medicaid Services of delaying Medicare managed care cuts by using a new bonus program, in order to help President Obama's political standing with seniors.

In an often tense hearing on CMS's Medicare Advantage Quality Bonus Payment Demonstration, Republicans said the three-year demo would offset a large portion of the MA cuts in the health care reform law due to be implemented beginning in 2012, shielding seniors from possible benefit reductions and/or premium increases before the November presidential election.

The demonstration "clearly is designed to ward off an event this year that would have occurred otherwise," said committee Chairman Darrell E. Issa (R-Calif.). Issa said the demonstration, which will cost \$8.3 billion over 10 years, amounted to "buying favors in an election."

"This is an \$8 billion election-year bailout," he added.

'Counterproductive' Hearing

Some committee Democrats said CMS could do a better job explaining the rationale for the demonstration, while others, such as Rep. Gerald E. Connolly (D-Va.), accused Republicans of conducting an "overtly political, substantively superficial, and ultimately counterproductive" hearing that distracted from determining how best to implement MA bonus plan payments.

Republicans got ammunition for their argument from Government Accountability Office officials, who testified that the demonstration is unlikely to produce meaningful results and that the Department of Health and Human Services has failed to show it has the statutory authority to establish the demo.

But they said there is no evidence the demo is illegal.

Their comments echoed findings in a report and letter recently issued by GAO that called for CMS to cancel the demo and replace it with the MA bonus program in the Patient Protection and Affordable Care Act (78 DER A-1, 4/24/12).

Cuts Offset

MA plan payments will be reduced about \$200 billion over 10 years under PPACA.

James Cosgrove, director of health care at GAO, told the panel that the demo would offset 70 percent of the MA PPACA cuts due to be implemented in 2012, and one-third of the PPACA cuts over the three-year life of the initiative.

Cosgrove said that under the PPACA bonus system, about one-third of all MA beneficiaries would be covered by plan sponsors eligible for a bonus payment in 2012 and 2013. Under the demonstration bonus system, 90 percent of MA beneficiaries would be covered by plan sponsors eligible for bonus payments, according to GAO.

Jonathan Blum, CMS acting principal deputy administrator, defended the demo and said CMS has no plans to scrap it. Blum said the demo will allow CMS to test ideas for saving Medicare money and already is improving the quality of Medicare managed care plans. He also said Section 442 of the Social Security Amendments of 1967 provides HHS authority to carry out the demo.

“Given the recent and dramatic growth in the number of beneficiaries choosing to enroll in the MA program, we believe it is imperative to test ways to encourage quality improvements through incentives and investments to best serve beneficiaries enrolling in Medicare private plans,” Blum said.

Blum told Issa he will provide the committee information from the Office of Management and Budget concerning the approval process for the demo.

Star Rating Scale

CMS rates all MA plan sponsors for quality on a one-to-five-star scale, with five stars representing the highest-quality plan. Under the demo in the health care reform law, health plans would have been given a bonus payment if their rating improved from three stars to four stars beginning in 2012.

Blum said that under the demo there are financial incentives for MA plans to improve from a two-star rating to three stars, from three stars to four stars, and from four stars to five stars. The PPACA bonus plan will resume in 2015, he added.

Blum said the demonstration is based on the premise “that improved quality results in improved health outcomes, and thus, savings over time from more effective and efficient delivery of needed health care.”

Blum said that under the demo, all MA plans would benefit from improvements to their star rating; that MA plans should be rewarded in increasing amounts for exhibiting higher-quality performance; and that plans already at the three-star level and above should get incentives to further increase quality.

CMS will evaluate demo results at its conclusion to determine the extent of quality improvements, Blum told the panel.

Out-of-Date Data

Also testifying at the July 25 hearing was Edda Emmanuelli-Perez, managing associate general counsel for GAO. The GAO officials took issue with the CMS's stated basis for the demo and whether it could be effectively evaluated when it concludes. Cosgrove said there are several problems with the demo, including that bonus payments are largely based on plan performance that predates the demo. The incentives in the demo have a full impact only in 2014, its last year, he added.

Cosgrove also said the demo lacks a comparison group to compare performance to, and the demo's structure would make it difficult for CMS to evaluate it when completed.

Blum said CMS disagrees with GAO's findings that CMS will not be able to adequately evaluate the program, adding that the bonus payments "provide a new incentive for MA organizations offering such quality plans to take even further measures to improve quality, and in future years, potential new financial rewards for doing so."

Committee ranking minority member Elijah E. Cummings (D-Md.) said debate at the hearing over the demo "indicates there is no scandal here. This is a legitimate and substantive disagreement about how best to structure bonuses to incentivize quality care and how to design a demonstration program to achieve its intended results in an effective manner."

For More Information

More information on the hearing is at <http://oversight.house.gov/hearing/gao-report-the-obama-administrations-8-billion-extralegal-healthcare-spending-project/>. GAO's testimony is at <http://www.gao.gov/products/GAO-12-964T>.