

For the Congressional Record

March 22, 2012

Statement of Congressman Pete Stark
On the Introduction of the Medicare Advantage Program Integrity Act

Mr. Speaker, I rise today to introduce the Medicare Advantage Program Integrity Act. My legislation will make common sense payment reforms to the Medicare Advantage (MA) program to ensure that taxpayers get the best bang for their buck. The Medicare Advantage Program Integrity Act requires that Medicare Advantage payments more accurately reflect the health status of their enrollees. In addition, the bill ends the ability for Medicare Advantage plans to game the system by retaining investment income from pre-payments. Taken together, these policies will save over \$20 billion over ten years, protecting both taxpayers and beneficiaries.

The MA program has grown substantially in recent years, increasing from \$65.2 billion in plan payments in 2006 to \$116.1 billion in 2010. Today, 25 percent of Medicare beneficiaries are enrolled in a private health insurance plan through MA. Congress took action through the Affordable Care Act (ACA) in 2010 to substantially reduce historical excessive base payment rates in MA. However, these plans continue to be overpaid relative to traditional Medicare, both in terms of base rates that exceed the cost of traditional Medicare in many geographic areas and because payments do not accurately reflect the health status of *enrolled* beneficiaries.

Because plan payments are adjusted for health states such that plan payments are increased as anticipated service use increases, plans have an incentive to “up code” and report less healthy patients. In fact, documented independent evidence shows that Medicare Advantage plans do tend to report higher patient severity than is supported by medical records. The data also show that reported patient severity in MA plans increased faster than for comparable patients in traditional fee-for-service Medicare (FFS) over the same time period.

In an attempt to address this issue, CMS reduced MA beneficiary risk scores (which are used to adjust base payments) by 3.41 percent when calculating payment rates in 2010 and 2011. However, a Government Accountability Office (GAO) report, *Medicare Advantage: CMS Should Improve the Accuracy of Risk Score Adjustments for Diagnostic Coding Practices* (January 12, 2012) found the Medicare program continues to overpay MA plans despite the Centers for Medicare and Medicaid Services’ (CMS) effort to adjust payments to more accurately reflect the health status of plan enrollees. GAO estimated that in 2010, MA beneficiary risk scores were at least 4.8 percent, and perhaps as much as 7.1 percent higher than they would have been if the same beneficiaries had been continuously enrolled in traditional Medicare. GAO recommended that CMS take additional steps to improve the accuracy of these scores and estimated that the recommended methodological improvements would have saved the Medicare program \$1.2 to \$3.1 billion in MA plan payments in 2010 alone.

My legislation implements the GAO recommendations by codifying and phasing in the higher coding intensity adjustment over several years to prevent disruption in the market. The policy in this legislation would culminate in a 7.1 percent downward adjustment by 2019. GAO's findings indicate that a coding adjustment of up to 7.1 percent is warranted now and would yield billions of dollars in federal savings.

Under current law, CMS makes advanced capitated payments to Medicare Advantage plans at the beginning of every month for each beneficiary enrolled in their plan. MA plans often then invest these Medicare funds in interest-bearing accounts until the money is needed to pay for services. Current law does not prohibit Medicare Advantage plans from retaining the investment income on the prepayments. However, the HHS Office of Inspector General (OIG) points to the Federal Employees Health Benefits Program (FEHBP) as a model, noting that in contrast to Medicare Advantage, insurance companies' ability to earn investment income is limited under FEHBP. The HHS OIG conducted audits in 2000 and 2011 and concluded that if Medicare delayed pre-payments to Medicare Advantage plans by 46 days (similar to FEHBP), the Medicare Part A and B trust funds would have earned \$450 million in interest income in Calendar Year 2007 -- rather than allowing that interest income to go to private health insurance plans. The Inspector General recommended that the Medicare program follow the FEHBP policy of delaying pre-payments to Medicare Advantage plans.

My legislation implements the Inspector General's recommendations by phasing-in a delay in the payments to Medicare Advantage plans. Taken

together, these two policies will save federal taxpayers more than \$20 billion while protecting beneficiary access to Medicare Advantage plans.

The Medicare Advantage Program Integrity Act has been endorsed by the Medicare Rights Center, the Center for Medicare Advocacy, AFL-CIO, Families USA, the National Committee to Preserve Social Security and Medicare and the Alliance for Retired Americans. This is a common-sense piece of legislation that attacks waste at its source and improves the program without hurting real people. I urge all of my colleagues to support the bill.

Thank you.