HCFA Approaches Medicare Managed Care

Administrator Focuses on Choice And Quality for Beneficiaries

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In this article Bruce Vladeck helps Catholic providers get ready for a new era in Medicare—managed care—and he explains what the Health Care Financing Administration is doing to improve Medicare in the changing healthcare environment. A series of CHA-sponsored regional meetings will also prepare CHA members for changes in Medicare and Medicaid. See William J. Cox's companion article on p. 29 and ad on p. 5 for more information.

Managed care is growing in importance to Medicare. On average, nearly 70,000 beneficiaries join managed care plans each month, and we at the Health Care Financing Administration (HCFA) are receiving plan applications to participate in Medicare at a record rate. In this new healthcare marketplace, HCFA is working hard to improve the quality of care for our beneficiaries and to ensure that we are the most effective purchasers we can be.

Current Debate

Much of our work focuses on trying to change the Medicare law. Unfortunately, the differences between this administration's views and those of the congressional majority remain to be resolved. We want to expand the range of choices available to beneficiaries, but not at the expense of beneficiaries who choose to remain in fee-for-service Medicare or at the expense of high-quality care. For example, we support the concept of provider-sponsored organizations (PSOs), but we want to make sure that PSOs are fiscally sound and of good quality.

Also, we want to maintain the prohibition against balance billing, without which both traditional Medicare fee-for-service and managed care plans could find it very difficult to compete with private fee-for-service plans that have both healthier beneficiaries and healthier assets.

Moving Ahead

But while the debate continues, HCFA is already working to expand and improve managed care options for beneficiaries.

Medicare Choices Our Medicare Choices demonstration will test a broad range of health plan options, including open-ended HMOs, preferred provider organizations (PPOs), and PSOs. The demonstration's objective is to measure beneficiaries' receptivity to a broad range of managed care delivery system options and to evaluate the suitability of such options for the Medicare program. HCFA will use the demonstration to develop solutions to a wide range of implementation issues such as risk sharing, payment methods, certification requirements, and quality monitoring systems.

Twenty-five managed care plans in eight cities and five rural areas have been selected as final candidates to participate in the demonstration. The candidates include nine provider-sponsored networks, eight provider-owned HMOs or providers with HMO partners, and eight HMOs or PPOs.

HCFA is also helping current risk contractors who want to offer a point-of-service option. Plan interest has been high; already 48 of the 222 risk plans now participating in Medicare have submitted proposals to offer some type of point-of-service option.

Improved Pricing We will soon be testing different competitive pricing approaches to improve how we pay for Medicare managed care. A demonstration project will test setting the government payment level through a market-based, competitive process. Currently, Medicare managed care plans

are, by law, reimbursed at 95 percent of the fee-for-service rates in the geographic area, called the adjusted average per capita cost (AAPCC).

We are also conducting research on diagnostic cost groups, ambulatory cost groups, and outlier pools in order to improve the AAPCC so that it will more accurately reflect beneficiaries' health costs and promote efficiency through greater competition among plans.

> Catholic hospitals will be important players in the new managed care era.

Quality Initiatives To improve health plan quality, we have collaborated with the Kaiser Family Foundation, the Packard Foundation, the National Committee for Quality Assurance, and hospitals to develop HEDIS (Health Plan Employer Data and Information Set) measures for both Medicare and Medicaid. Medicaid HEDIS measures were released January 31, 1996, and Medicare measures will be completed in about a year.

We continue our work with the Foundation for Accountability (FAcct), the public-private, purchaser-consumer collaboration for healthcare quality improvement announced in summer 1995. Together with its purchaser members, including HCFA, the Federal Employees Health Benefit Plan, the Department of Defense, AT&T, American Express, GTE, and others, FAcct will develop new outcomes measures to assure value and accountability.

Looking to the Future

Although we are striving to improve the choice and quality of services available to our beneficiaries, it is the providers themselves who must ultimately meet our beneficiaries' needs. Catholic hospitals, with their unique mission of caring for the most vulnerable in our society, have always played a key role in the healthcare marketplace and will continue to be important players in this era of managed care.

The Catholic Health Association's members have decades of valuable experience in dealing with vulnerable populations, and they understand that partnerships with social service providers, public social service agencies, and others are essential to "managing" care for the poor and disabled.

This experience and knowledge will continue to be invaluable in the rapidly changing healthcare environment. With the help of Catholic hospitals, we at HCFA expect the future to bring not only greater efficiency but also more choices and higher quality healthcare for our beneficiaries. □

MEDICARE/MEDICAID RESTRUCTURING: ARE YOU READY?

The Catholic Health Association's meetings on how to prepare operationally and financially for Medicare and Medicaid restructuring are designed for leadership teams of Catholic organizations, including sponsors, chief executives, senior managers, mission leaders and trustees. Sessions will focus on challenges and opportunities the restructurings present, regional strategies for managed care contracting, and sustaining Catholic identity and ethical integrity in managed care.

The meetings are scheduled for the following dates:

November 12-13	Minneapolis
November 14-15	Chicago
November 19-20	San Francisco
November 21-22	Seattle
December 2-3	Dallas
December 9-10	Hartford/Springfield
December 11-12	Philadelphia

For more information on the regional meetings or the New Covenant *process, call the CHA Member Hotline, 800-230-7823.*