

Obama administration eases pain of Medicare cuts

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In his Feb. 9, 2011 file photo, Health and Human Services Secretary Kathleen Sebelius gestures while speaking in Seattle. Millions of seniors in popular private insurance plans offered through Medicare are getting a reprieve from some of the most controversial cuts in President Barack Obama's health care law. In a policy shift that critics see as pure politics, the administration is providing \$6.7 billion to Medicare Advantage plans to head off service cuts that could have hurt Democrats in next year's elections. (AP Photo, File)

(AP) -- Millions of seniors in popular private insurance plans offered through Medicare will be getting a reprieve from some of the most controversial cuts in President Barack Obama's health care law.

In a policy shift critics see as political, the Health and Human Services

department has decided to award quality bonuses to hundreds of [Medicare](#) Advantage plans rated merely average.

The \$6.7 billion infusion could head off service cuts that would have been a headache for Obama and Democrats in next year's elections for the White House and Congress. More than half the roughly 11 million Medicare Advantage enrollees are in plans rated average.

The insurance industry says the bonuses will turn what would have averaged out as a net loss for the plans in 2012 into a slight increase.

In a recent letter to HHS Secretary Kathleen Sebelius, two prominent GOP lawmakers questioned what they termed the administration's "newfound support" for Medicare Advantage.

The shift "may represent a thinly veiled use of taxpayer dollars for political purposes," wrote Sen. Orrin Hatch of Utah and Rep. Dave Camp of Michigan. Camp chairs the House Ways and Means Committee, which oversees Medicare. Hatch is his counterpart as ranking Republican on the Senate Finance Committee.

Seniors are among the deepest skeptics of the new [health care law](#). A recent AP-GfK poll found that 62 percent disapprove of Obama's handling of [health care](#), as contrasted with 52 percent approval among Americans overall. The poll also found that seniors are more likely to trust Republicans than Democrats on health.

The administration says the reason for the bonuses is quality improvement, not politics, and the program will be evaluated as it goes along.

"We are looking at whether an alternative payment incentive structure would lead to broader quality improvements across all Medicare

Advantage plans, by giving incentives for a broader range of plans to improve," said Medicare spokesman Brian Cook.

Medicare covers seniors and disabled people. About one-fourth of beneficiaries are signed up in Medicare Advantage plans that offer lower out-of-pocket costs and more comprehensive benefits than the traditional program. Some of the heaviest enrollment is in politically contested states, including Florida, Pennsylvania, Ohio, Nevada, Minnesota and Colorado.

The health care law cut \$145 billion over 10 years from Medicare Advantage, partly to correct a widely acknowledged problem with overpayments to the plans. Those cuts start off modestly in 2012 and build up. Insurers were expected to shift the burden to beneficiaries in the form of fewer services and higher out-of-pocket costs, triggering an exodus back to traditional Medicare.

"The net result is that the boat didn't get rocked," said independent analyst Dan Mendelson, president of the information firm Avalere Health. "It's fair to say that (Medicare) could not tolerate dislocation, given the political climate."

But Mendelson also said he agrees with the administration that the new money will get more plans thinking about how to improve quality, if they want to remain profitable.

"They are giving the plans training wheels to improve their quality," he said.

The health care law itself tried to soften the impact of Medicare Advantage cuts by providing quality bonuses for highly-rated plans that received four or five stars in a government grading system.

Then, in a policy shift quietly completed this month, HHS decided to grade on the curve. Average-quality plans garnering just three or three-and-a-half stars would also get bonuses, although at a lower percentage than top-tier plans.

The HHS decision means 4 out of 5 Medicare Advantage enrollees are in plans now eligible for a bonus. Under the tougher approach Congress took in the health care law, only 1 in 4 would have been in plans getting the extra payments.

HHS' nearly \$7-billion bonus program is temporary. In 2015, the cuts called for in the health care law will kick in again.

Still, the episode could be an early sign that Medicare cuts used to finance much of Obama's coverage expansion for the uninsured will turn out to be politically unsustainable, as have other efforts to impose austerity. For example, Congress has routinely waived cuts in Medicare payments to doctors.

A nonpartisan agency that advises lawmakers on Medicare criticized the bonus plan. The Medicare Payment Advisory Commission said it amounts to "a mechanism to increase payments" and its design "sends the wrong message about what is important to the program and how improved quality can best be achieved."

At a time when government is urging health care providers to improve quality and cut costs, the bonus plan "lessens the incentive to achieve the highest level of performance," commission chairman Glenn Hackbarth wrote to HHS officials. Medicare spokesman Cook disagreed, saying even plans that get two stars will now have an incentive to improve.

Medicare has classified the bonuses as a demonstration program, relying on broad legal authority Congress gave the agency to experiment with

quality improvements. It's the costliest demonstration program in Medicare history. The money will come from the Medicare trust fund.

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