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Does Anybody *Really* Want Price Competition in Medicare?

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Overview

- Experience does not lead to optimism
- Recent (Competitive Pricing Advisory Commission, or CPAC) experience was particularly distressing
- There are some differences in CCA from the BBA/CPAC demos, => HOPE?

Lessons from History

- Medicare is an insurance program for the elderly and disabled, *AND* an income-support program for providers and plans
- Providers and plans are constituents, too
- Real competition is less popular and more threatening than being overpaid by formula
- The only constituency for long run efficiency is the general taxpayer (and policy wonks), the least well-organized lobby in the Medicare debate



Lessons from CPAC

- Competitive pricing advisory committee PAC was created by the BBA, just like the Bi-Partisan Commission on Medicare reform; DIDN'T MATTER
- Those who are currently overpaid by formula will find reasons to oppose reform
- Members will take care of fearful constituents
- Leadership must be vigilant and unwavering in their commitment to the pricing experiment



Differences in CCA outline that give whispers of hope

- Budget neutrality is not required
- FFS is part of the competitive design, not cordoned off from Medicare Advantage plans
- MA plans will have been bidding (against a benchmark) for four years by the time the demo is to start
- 2010 is kind of a magic year, may concentrate the minds



Reasons it is still unlikely to happen

- We will have overpaid plans a lot between now and then
- New President and Congress (elected in 2008) may have quite different ideas about long term Medicare reform
- Private sector managed care can change a lot in 6 years
- Forcing anyone to pay more for inefficient health care is hard; forcing the elderly – a growing share of the electorate from 2010 on -- may be impossible in our democracy

