

Special needs plans were added to Medicare Advantage beginning in 2004

- SNPs similar to regular MA plans, except they
 - Must offer the Part D drug benefit
 - May limit their enrollment to their targeted population
- The authority to limit their enrollment expires December 2008
- SNPs serve 3 types of beneficiaries:
 - Dual eligibles
 - Institutionalized beneficiaries
 - Patients with severe chronic diseases or conditions

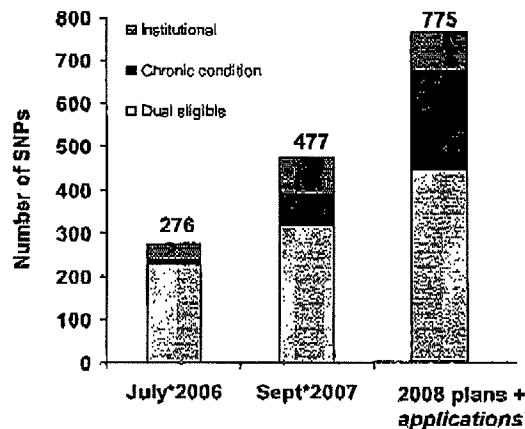
Concerns about SNPs

- Lack of requirements to ensure that SNPs provide specialized care
- Number of SNPs and their enrollment are growing rapidly
- New SNPs include organizations with and without specialized experience

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The number of SNPs increased from 2006 to 2007 and is expected to increase in 2008

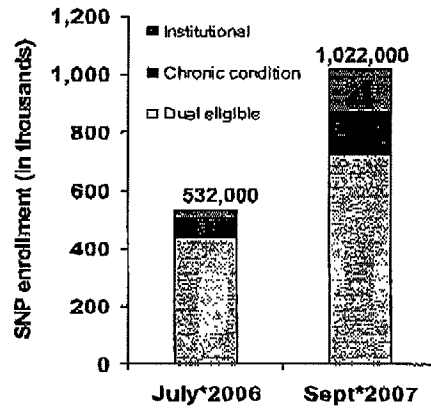


Note: Data as of September 25, 2007. Includes all contracts and plans regardless of 2008 approval status.

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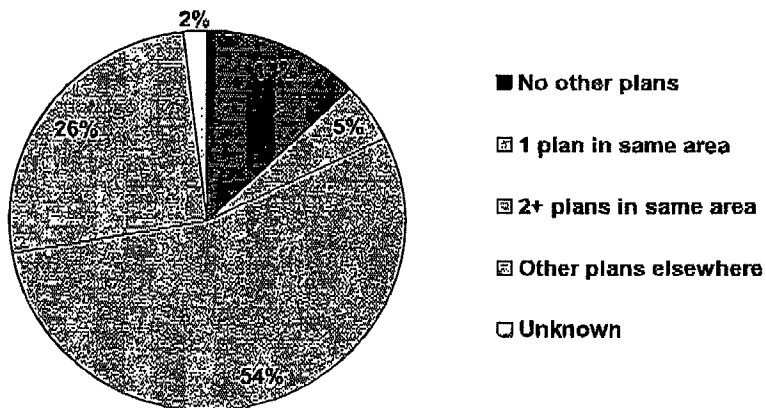
SNP enrollment increased from 2006 to 2007



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Most SNPs' parent organizations offered other MA plans in 2006



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SNPs' enrollment and bids relative to other MA plan types'

- SNPs (and employer-sponsored plans) were the only local HMO plans with enrollment growth from 2006 to 2007
- SNPs' 2006 benchmarks and payments relative to FFS are similar to regular MA HMOs'

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SNPs' benchmarks and payments are similar to regular MA HMOs', 2006

	Benchmark relative to FFS expenditures	Payments
SNP (excluding Puerto Rico)	115%	111%
HMO	115	110
Local PPO	120	117
Regional PPO	112	110
PFFS	122	119

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Risk adjustment limitations may help drive SNP growth

- Current risk adjustment system's imprecision might offer opportunities for selection
- Alternatively, its design of predicting FFS spending might overestimate managed care spending

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Should SNP authority to limit enrollment be extended?

- Do SNPs need to limit their enrollment to do something special for their enrollees?
- If the authority to limit enrollment is not extended, SNPs could be regular MA plans or demonstrations
- If the authority is extended, SNPs should be expected to provide specialized care

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Policy options: Quality, information, and accountability

- Require additional, tailored quality measures
- Provide SNP-specific comparative information
- Link enrollees to health advisors/care coordinators

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SNPs can enroll a “disproportionate share” of their target population

- SNPs may limit their enrollment to their targeted population
- Or they can apply to CMS to enroll other beneficiaries under the “disproportionate share” definition

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Policy options: Disproportionate share enrollment

- Require SNPs to predominately enroll beneficiaries (e.g. 75%-85%) from their target population

Dual-eligible SNPs can serve all duals or just full duals

- Dual eligibles include both full duals and Medicare Savings Program duals
- CMS does not allow dual SNPs to serve only MSP duals
- MA parent organizations can offer two dual SNPs—one for all duals and one for full dual—in the same area
- In practice, the all-duals plan can attract only MSP duals

Policy options: Dual-eligible SNPs and states

- Require dual SNPs to contract with states to coordinate benefits by 2012
- Limit cost sharing for dual SNPs without a state contract
- Allow organizations to offer no more than one dual SNP in each county

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Policy option: Defining chronic conditions

- Clinical panel to define list of eligible chronic conditions
- In the meantime, more focused definition of eligible chronic conditions

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Policy option: Extension of SNP authority to limit enrollment

- Generally make authority permanent
- Except in two instances extend authority for a limited time to allow further study:
 - Chronic condition SNPs
 - Institutional SNPs that serve nursing home certifiable beneficiaries living in the community