

**Opening Statement of the Honorable Joe Pitts**  
**Subcommittee on Health**  
**Hearing on “Medicare Advantage: What Beneficiaries Should Expect Under the**  
**President’s Health Care Plan”**  
**December 4, 2013**

*(As Prepared for Delivery)*

The Medicare Advantage (MA) program, an alternative to the original Medicare fee-for-service (FFS) program, provides health care coverage to Medicare beneficiaries through private health plans offered by organizations under contract with the Centers for Medicare and Medicaid Services (CMS).

MA plans may offer additional benefits not provided under Medicare FFS, such as reduced cost sharing or vision and dental coverage.

They also generally have a high rate of satisfaction, and approximately 28 percent of Medicare beneficiaries have chosen to participate in Medicare Advantage.

The Affordable Care Act (ACA), as noted in a July 24, 2012 Congressional Budget Office (CBO) report, cut \$716 billion from Medicare, including \$308 billion from Medicare Advantage alone.

In April 2010, the Medicare actuary projected that these payment cuts would result in an enrollment decrease in the MA program of as much as 50 percent.

The ACA also required CMS, effective January 1, 2012, to provide quality bonus payments to MA plans that achieve four, four point five, or five stars on a five-star quality rating system developed by CMS.

Rather than implement the bonus structure laid out in the law, which would have led to these cuts going into effect in 2012, CMS announced in November 2010 that it would conduct a nationwide demonstration – the MA Quality Bonus Payment Demonstration – from 2012 through 2014 to test an alternative method for calculating and awarding bonuses.

The General Accountability Office (GAO), in response to a request by Senator Orrin Hatch, noted that the demonstration project’s design made “it unlikely that the demonstration will produce meaningful results” and recommended that “HHS cancel the demonstration.”

GAO also stated: “we remain concerned about the agency’s legal authority to undertake the demonstration.”

With a price tag of \$8.35 billion over ten years, the Medicare actuary noted that this demonstration would offset more than one-third of the reduction in MA payments projected to occur under ACA from 2012 to 2014, effectively masking the first wave of ACA-mandated cuts until next year.

A recent report by the Kaiser Family Foundation warned that more than half a million beneficiaries may have to switch to another MA plan or return to fee-for-service Medicare in 2014, as a result of ACA.

In addition to plan availability, questions are now being raised about the possibility of rising costs and limited provider networks in the future as more ACA-mandated cuts go into effect.

I would like to thank our witnesses for being here today, and I look forward to their testimony regarding how the ACA will impact the Medicare Advantage program.

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