

On September 21, I chaired a hearing in the House Ways and Means Subcommittee on Health to further examine the [concerns I raised](#) in my July letter to Health and Human Services (HHS) Secretary Kathleen Sebelius regarding a “quality bonus” program for Medicare Advantage plans. At the hearing, a witness from the nonpartisan Government Accountability Office (GAO) outlined several problems with this program. According to HHS, the program is authorized by a “demonstration” law that allows Medicare administrators to conduct small-scale experiments with different methods of paying for health care services. However, GAO notes that this \$8.35 billion bonus program is more expensive than every other demonstration since 1995 combined, and that it is in fact so large as to be useless as an experiment because there is no control group with which to compare the results.

Despite these serious concerns, Secretary Sebelius has resisted GAO’s recommendation to cancel the program. The reason for her refusal may well lie in another fact GAO uncovered: the quality bonus program effectively cancels out 70% of the cuts that Medicare Advantage plans were expected to face in 2012 as a result of President Obama’s health care overhaul. In contrast, by 2014 the bonuses will offset only 14% of those cuts. Other witnesses at the hearing testified that when the cuts do fully take effect, many Medicare Advantage plans will disappear from the market, forcing seniors enrolled in those plans to either lose benefits or pay more for comparable coverage. It’s hard to avoid the conclusion that the main purpose of the Obama Administration’s bonus program is to postpone the impact of the health law’s Medicare cuts until after the presidential election.

The September 21 hearing also featured a discussion of “Special Needs Plans” (SNPs). SNPs are private Medicare plans that are specifically tailored toward three groups of Medicare enrollees: those who are also eligible for Medicaid, those with chronic medical conditions, and those who live in nursing homes or other long-term care settings. While more study is needed, there is growing evidence that SNPs can provide better care coordination than the standard Medicare program, leading to improved health outcomes. Some have argued that it’s a bad idea to expand the role of private Medicare plans because private plans will only be interested in covering the healthiest and least costly patients. The success of the SNP program demonstrates that this is not true. Even the sickest and most vulnerable Medicare enrollees can benefit from the quality improvements that result from a properly-regulated competitive marketplace.