

Questions and Answers

Budget Neutrality and Medicare Health Support – Phase I

Update

Q1. What is the status of the decision regarding budget neutrality for the Medicare Health Support program?

A1. The Centers for Medicare & Medicaid Services (CMS) and the Medicare Health Support Organizations (MHSOs) originally negotiated and included a mutually agreed upon 5 percent savings target for the MHS programs. The MHSOs subsequently requested that the savings target be reduced to budget neutrality across the 3-year pilot program, which has been approved by OMB. Participating MHSOs were previously required to meet a 5 percent savings target net of fees.

Q2. Why did this change occur?

A2. The 5 percent savings hurdle imposed an additional requirement for savings beyond budget neutrality, the latter of which is required in the statute. MHSOs could potentially realize savings equal to fees and meet the statutory budget neutrality requirement, but would have to repay the government up to 100 percent of their fees if they didn't realize the additional 5 percent savings. The budget neutrality decision removes the 5 percent hurdle, but maintains consistency with the statute.

Q3: What are the implications for the MHSOs?

A3: The decision for budget neutrality changes the financial savings targets for the MHSOs, but will have no impact on the clinical quality or beneficiary satisfaction targets. MHSOs will have to meet a less stringent financial savings target, but will otherwise have to meet all of the other targets for the pilot program.