



**MEDICARE REFORM SERIES**

**BOTTOM LINE  
ON**

**Using Private-Sector Competition Strategies**

Many experts believe that competitive pricing techniques used in the private health insurance market could be to control Medicare costs. The American Academy of Actuaries Medicare Reform Task Force recently examined several proposals that apply private-sector competition strategies to Medicare. The task force findings include:

- There are a number of important policy decisions that must be made in designing a system of competitive bidding by Medicare health plans or health care providers.
- Some of the concerns are how much flexibility the bidding manager would have, how the bid price is calculated and whether the current Medicare fee-for-service program is included.
- A competitive bidding system could also limit beneficiaries' choice of health plans or health care providers and place financial strains on health plans, doctors and hospitals.
- You should allow sufficient time to create the necessary infrastructure before implementing the new program and any major program changes should be phased-in.
- Pilot projects could be used to selectively study the impact of using competitive bidding techniques as part of Medicare.

The American Academy of Actuaries is also studying the impact of a prescription drug benefit for Medicare beneficiaries and the fiscal soundness of the current Medicare program.

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