Advising the Congress on Medicare issues

Redesigning the Medicare Advantage quality bonus program

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April 2, 2020

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Reform of the Medicare Advantage (MA) quality bonus program (QBP) is urgently needed

- One-third of beneficiaries are enrolled in MA—a model of care that should be an efficient, high-quality alternative to FFS
  - However, neither the Medicare program, nor Medicare beneficiaries, have good information on MA quality
- QBP uses broad contract-level quality results; contract consolidations have led to unwarranted bonus payments
- In the QBP, plans that serve high-needs populations are less likely to be classified as high-quality plans
- QBP adds $6 billion per year in program costs, unlike most FFS quality incentive programs

Many plans receive unwarranted quality bonus payments due to previous contract consolidations

- Many contacts consolidated between 2013 and 2018 to boost star ratings
- Majority of 2020 enrollees are in plans that have some level of consolidation
- Although incentives to consolidate are now limited, legacy of consolidation remains:
  - Increased program expenditures
  - Inaccurate consumer information on quality
  - Quality data not representative of performance in a local area
  - Unfair competitive advantage in certain markets

Score a small set of population-based measures: Illustrative MA-VIP measure set

Domain	Measures
ACS hospital use	ACS hospitalizations* ACS emergency department visits
Readmissions	Rate of unplanned readmissions
Patient-reported outcomes	Improved or maintained physical health status* Improved or maintained mental health status*
Patient/enrollee experience	Getting needed care* Rating of health plan*
Staying healthy and managing long-term conditions	Breast cancer screening* Annual flu vaccine Colorectal cancer screening Controlling high blood pressure Diabetes: Hemoglobin A1c poor control

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Note: ACS (ambulatory care-sensitive)

* Used in illustrative modeling

MA-VIP: Evaluate quality at the local market level

- Scores a plan's performance for enrollees in each local market area
- Provides more accurate picture of market-level quality for beneficiaries and the program
- Illustrative MA-VIP reporting unit: Parent organization in local market areas

MA-VIP: Use a peer grouping mechanism to account for differences in social risk factors

- Stratifies plan enrollment into groups of beneficiaries with similar social risk factors to determine payment adjustments
- Illustrative MA-VIP modeling: For each parent organization in a market area, enrollment stratified into two groups and measure results calculated
    - Peer group 1: Fully dual-eligible beneficiaries
    - Peer group 2: Non-fully dual-eligible beneficiaries

MA-VIP: Establish a system for distributing rewards with no “cliff” effects

- Uses a performance-to-points scale to convert measure results to a score which determines rewards and penalties
  - Plans know that improvements impact rewards
  - Continuous scale, so any change in performance affects the size of the reward or penalty
- Illustrative modeling: Performance-to-points scale set using national distribution

MA-VIP: Distribute plan-financed rewards and penalties at a local market level

- Finances rewards and penalties through a pool of dollars funded by a share of plan payments
  - Key change from current QBP: No bonus increase to plan benchmarks
- Pool of dollars would be distributed within each local market based on local performance
  - Accounts for varying local market conditions (e.g., safety net programs, transportation infrastructure, social risk factors, provider organization)

Illustrative MA-VIP modeling results

- Local distribution guaranteed rewards and penalties in each market
  - Average market performance varied from 3.5 to 7.5 points (on a 10-point scale)
- Fully dual-eligible enrollee peer groups had lower quality scores than peer groups with all other enrollees
  - Determining rewards and penalties by stratifying peer groups addresses these differences
- Payment adjustments tended to be small
  - Larger payment adjustments are possible

Impact of MA-VIP on plans compared to the QBP

- Narrows the payment disparity between plans with large shares of fully dual-eligible beneficiaries versus others
- Reduces the undue advantage large organizations have under the QBP
- Allow positive net payment adjustments for some plans not currently in QBP bonus status—small regional (local) plans

Draft recommendation

The Congress should replace the current Medicare Advantage quality bonus program with a new value incentive program that:

- scores a small set of population-based measures;
- evaluates quality at the local market level;
- uses a peer grouping mechanism to account for differences in enrollees' social risk factors;
- establishes a system for distributing rewards with no "cliff" effects; and
- distributes plan-financed rewards and penalties at a local market level.

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Draft recommendation is preliminary and subject to change.

Rationale for the draft recommendation

- The current QBP is flawed
  - Policymakers and beneficiaries lack the information needed to assess MA quality in a meaningful way
  - Plans receive unwarranted bonus payments
- MA quality program should parallel FFS quality incentive programs and not be financed by added program dollars
- MA-VIP would provide more accurate information on quality and result in a fairer distribution of incentive payments across markets and across populations

Implications of the draft recommendation

- Spending: Would reduce program spending relative to current law by more than $2 billion over 1 year and by more than $10 billion over 5 years

Beneficiaries	Plans
Not expected to affect access to plans	Not expected to affect plan participation in MA
Possible reduction in extra benefits	Lower Medicare payments for most (possible lower profits, lower provider payments)
Can improve benefits for high-needs groups (such as Medicare-Medicaid dually eligible beneficiaries)	Improve equity for plans serving high-needs groups
Better information on plan quality	Higher administrative costs