



Advising the Congress on Medicare issues

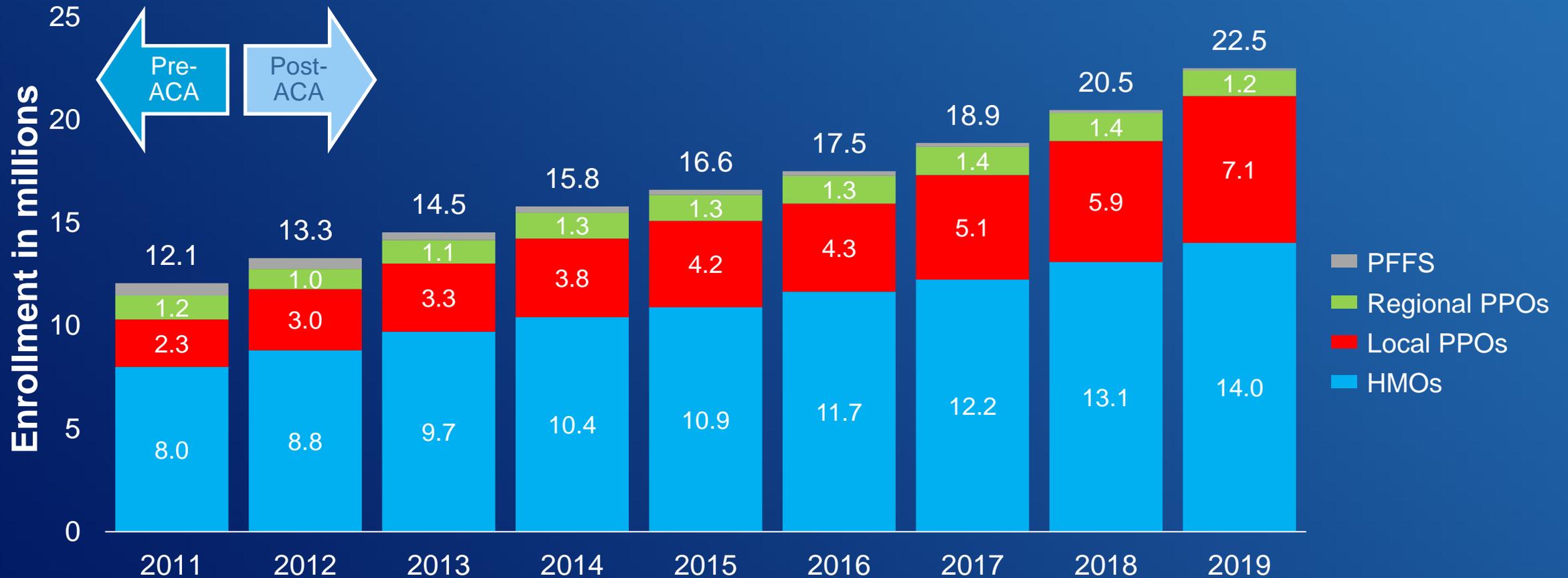
The Medicare Advantage program: Status report

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Today's presentation

- Status report on Medicare Advantage (MA) enrollment, availability, benchmarks, bids, and payment
- Update on coding intensity
- Update on quality

Enrollment in MA plans continues to grow rapidly



Notes: MA (Medicare Advantage), ACA (Affordable Care Act of 2010), PFFS (private fee-for-service), PPO (preferred provider organization), HMO (health maintenance organization). PFFS plans enrolled less than 1 million beneficiaries in each year.

Source: CMS enrollment data

MA plans available to nearly all Medicare beneficiaries; number of plan choices increasing

Plan Availability*	2016	2017	2018	2019	2020
Any MA plan	99%	99%	99%	99%	99%
Zero-premium plan w/Part D	81	81	84	90	93
Avg. number of choices	18	18	20	23	27

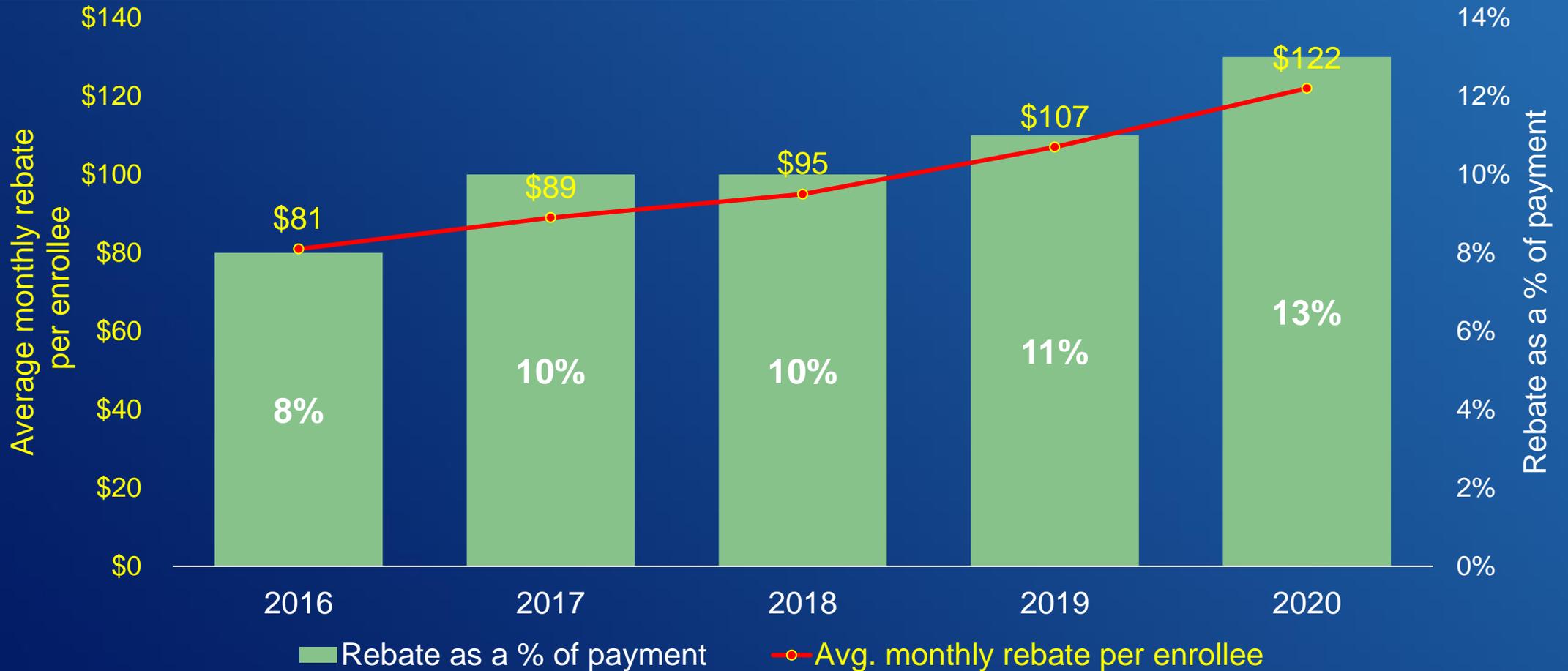
*Medicare beneficiaries with a non-employer, non-Special Needs MA plan available

Source: CMS enrollment data and plan bid submissions.

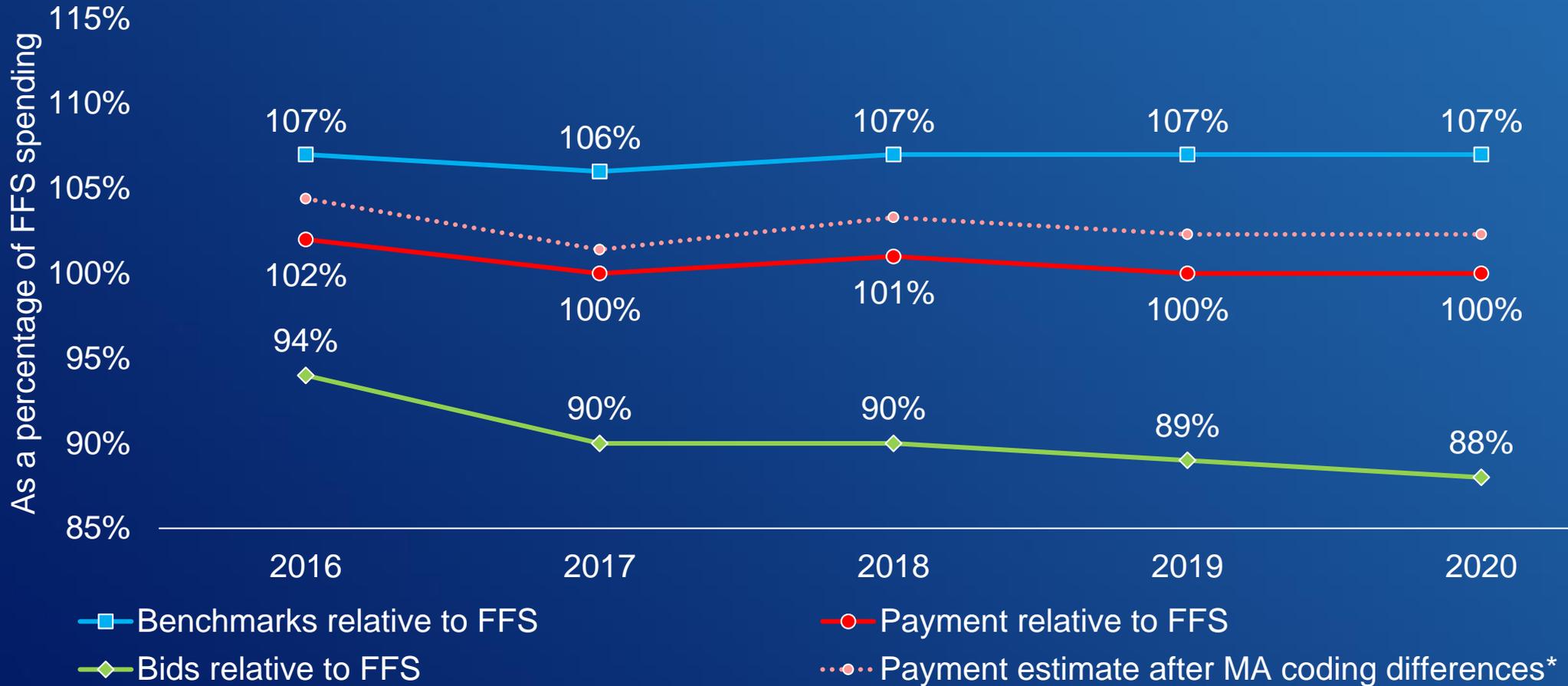
MA plan payment policy

- Payments based on plan bids, benchmarks (county-based and risk-adjusted), and quality scores
- Benchmarks range from 115% of FFS in lowest-FFS spending counties to 95% of FFS in highest-spending counties
- Benchmarks are increased for plans based on overall quality scores
- If bid < benchmark, plans get a percentage (varies by plan quality score) of the difference as a “rebate”; Medicare keeps the rest of the difference
- If bid > benchmark, program pays benchmark, enrollee pays premium

Level of rebates reached historic high in 2020



MA benchmarks, bids, and payments relative to FFS, 2016-2020

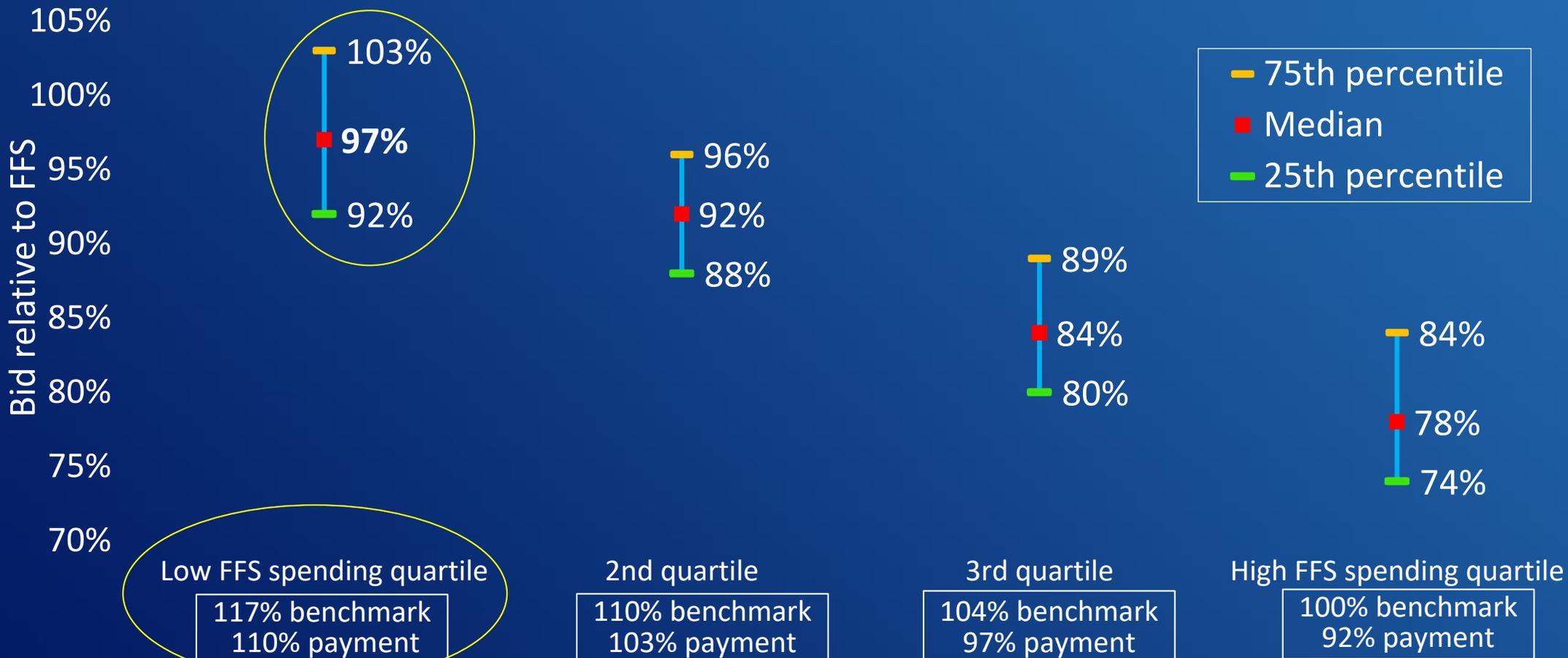


*Coding differences in 2019 and 2020 reflect 2018 levels (the most recent available data).

Note: FFS (fee-for-service). Benchmark and payment percentages include quality bonuses. Data preliminary and subject to change.

Source: Analysis of MA bid and rate data.

Even in the lowest spending areas, most MA plans bid below local FFS spending



Quartiles of FFS spending per beneficiary in plan's service area

Note: FFS (fee-for-service). Benchmark and payment averages within each quartile include quality bonuses and are shown as a percentage of local FFS spending. Data preliminary and subject to change.

Source: Analysis of MA bid and rate data.

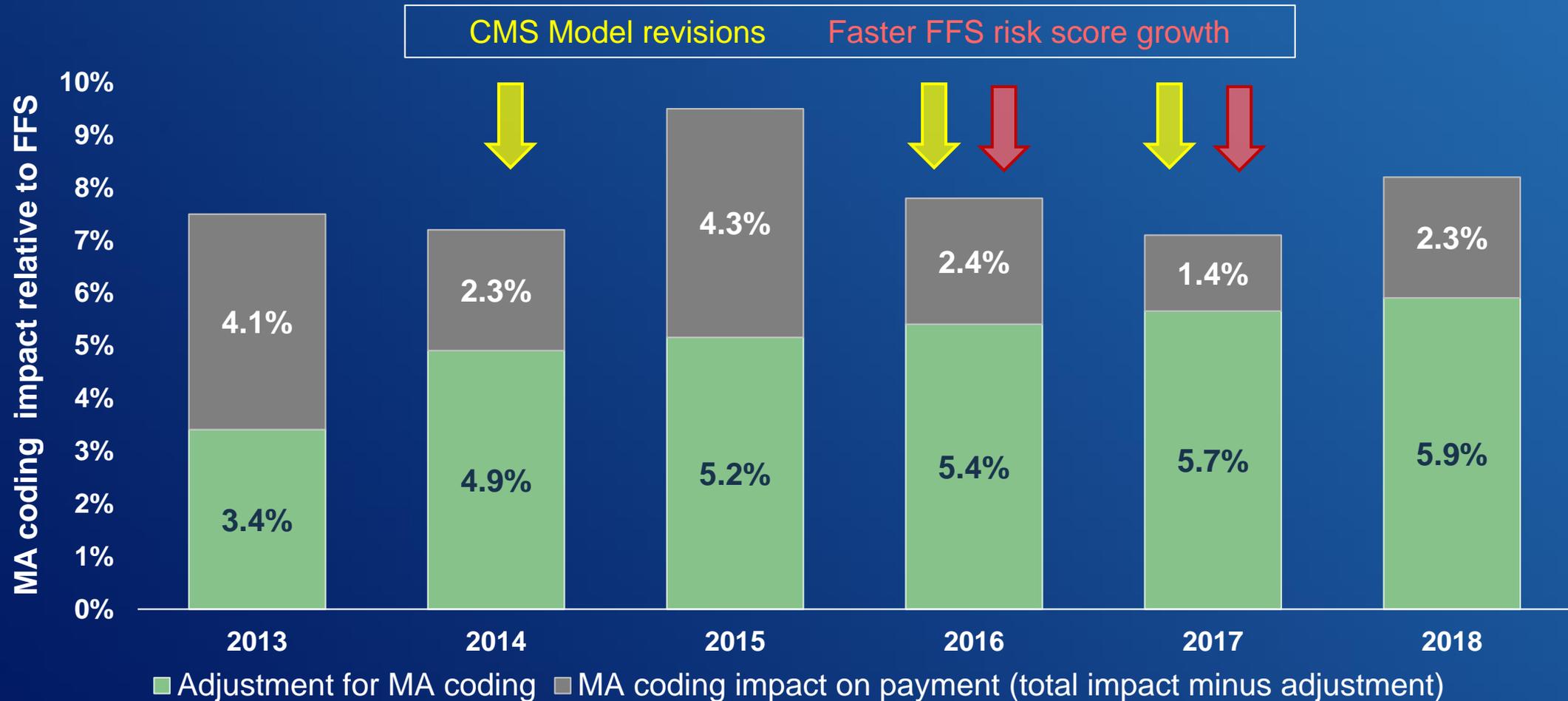
MA risk adjustment largely based on diagnoses

- Medicare pays MA plans a capitated rate:
 - Base payment amount * beneficiary-specific risk score
- Risk scores are based on:
 - Demographic information
 - Diagnoses grouped in hierarchical condition categories (HCCs)
- Risk scores adjust payment
 - Increase base rate for more costly beneficiaries
 - Decrease base rate for less costly beneficiaries

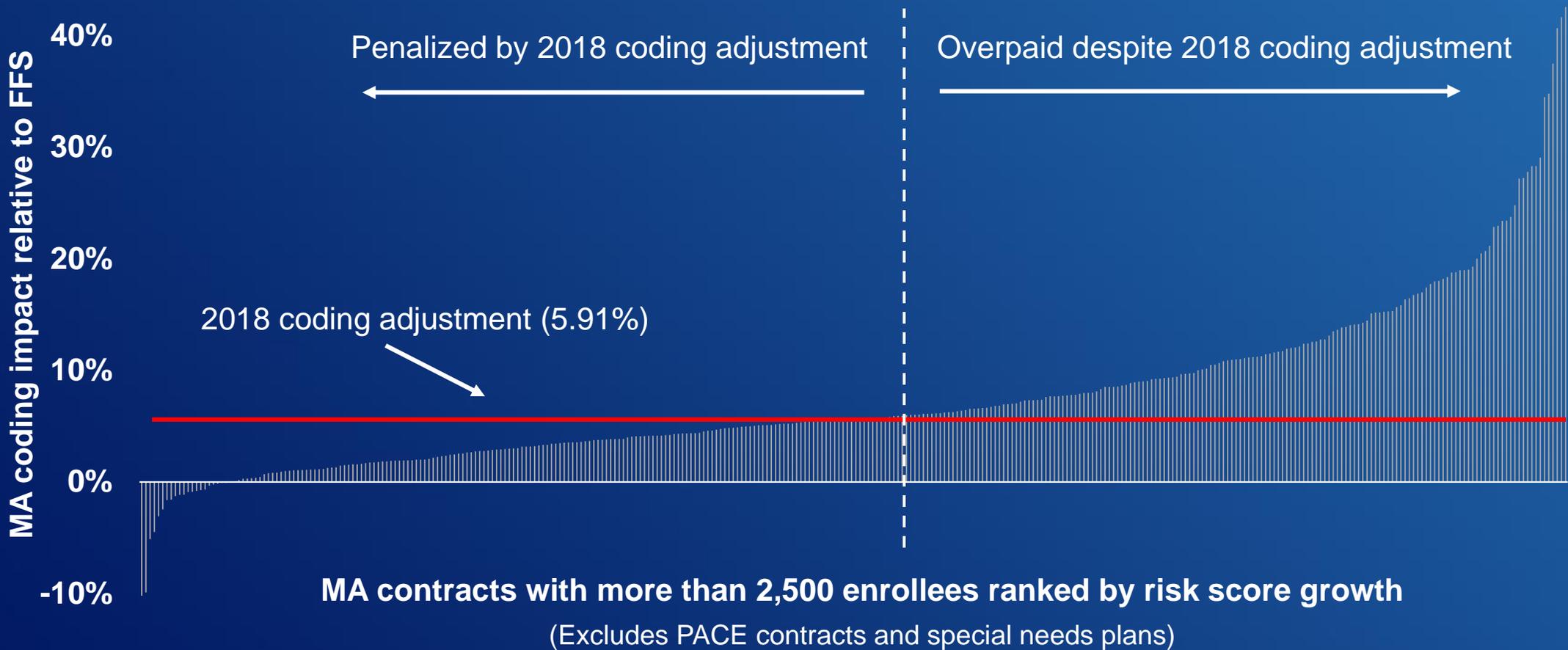
MA coding generated excess payments in 2018

- Differences in diagnostic coding between FFS and MA
 - FFS: Little incentive to code diagnoses
 - MA: Financial incentive to code more diagnoses
 - Leads to greater MA risk scores for equivalent health status
- 2018 MA risk scores were about 8 percent higher than FFS
- After accounting for coding adjustment of 5.91 percent:
 - MA risk scores in 2018 were 2 to 3 percent higher than FFS due to coding differences, generating about \$6B in excess payments

Impact of MA coding intensity likely to increase; can be limited by model revisions



Variation in coding intensity impact across MA contracts



Quality in MA cannot be meaningfully evaluated

- Quality bonus program (QBP) not a good basis of judging quality for the one-third of Medicare beneficiaries in MA
 - Large and dispersed contracts, exacerbated by consolidations
 - Too many measures, some based on small sample
 - Cannot be compared to FFS in local market
- QBP generates about \$6 billion for highly-rated contracts
 - 82 percent of enrollees in bonus-level plans
- An improved value incentive program could address these issues

Summary of status of MA

- MA sector is very healthy
 - Continued growth in enrollment, plan offerings, and extra benefits
- Issues we continue to track:
 - Adjusting for coding differences between MA and FFS
 - Ensuring completeness and accuracy of encounter data
- Ongoing work:
 - Improving the quality bonus program