



Advising the Congress on Medicare issues

The effects of Medicare Advantage “spillover” on FFS Medicare spending and coding

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The “spillover” hypotheses

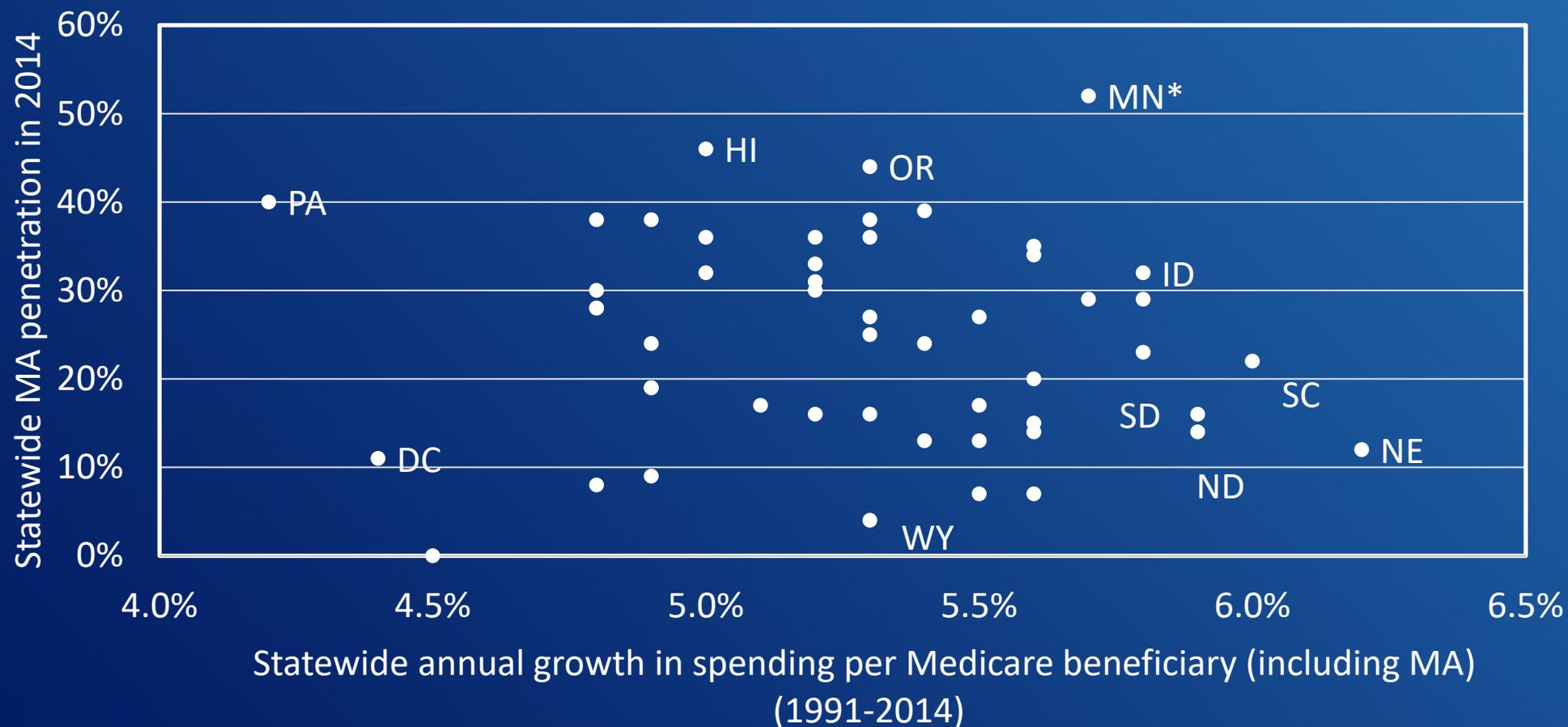
- The practice-style shift hypothesis
 - MA plans gain market share
 - MA plans induce physicians to practice lower cost medicine
 - Physicians shift how they care for MA and FFS patients
- The HCC coding-shift hypothesis
 - MA plans gain market share
 - MA plans give physicians incentives to code more
 - Physicians increase intensity of coding on MA and FFS patients
- Practice-style and coding spillover could both occur

Changes in risk-adjusted spending

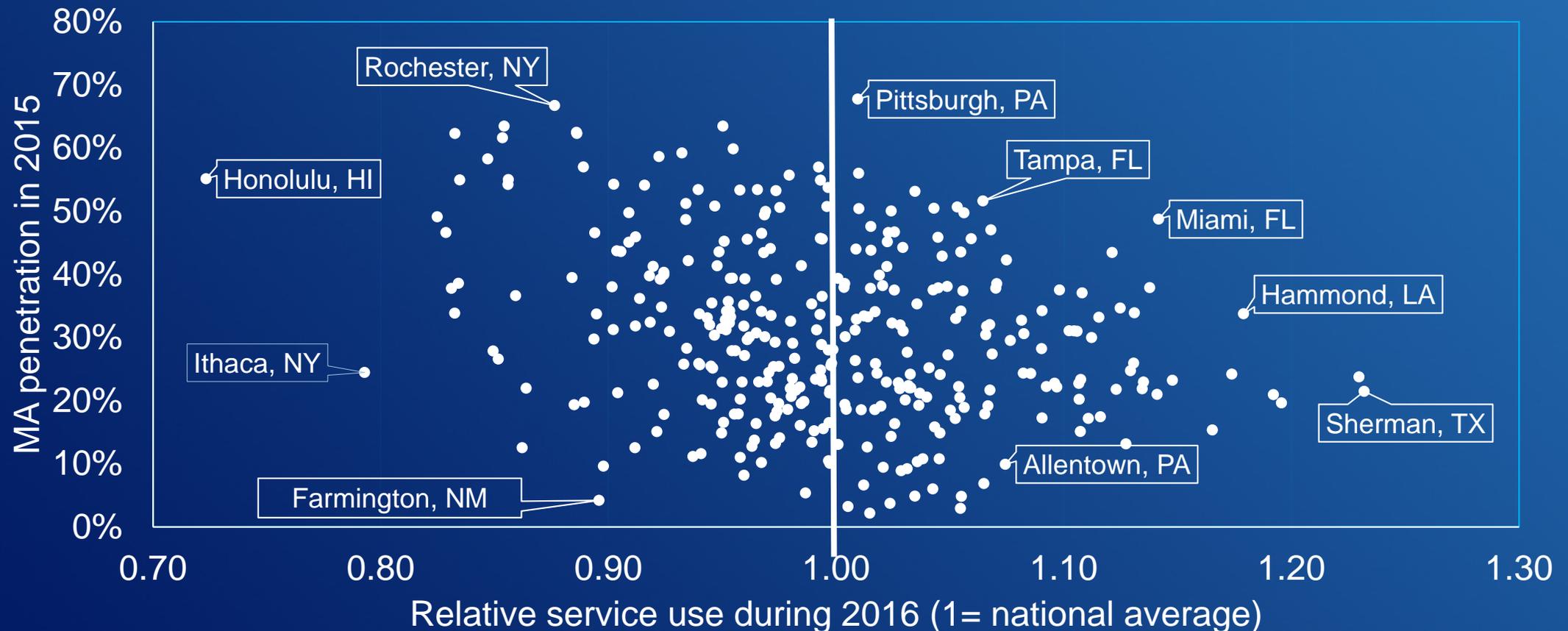
$$\text{FFS risk-adjusted spending} = \frac{\text{FFS Spending}}{\text{FFS HCC score}}$$

- Risk-adjusted spending could decline if:
 - MA practice style spills over and reduces FFS spending.
 - MA coding practices spill over to FFS and increase HCC scores.
- HCC coding spillover could lead to an illusion of FFS savings.
- We will separate the two kinds of spillover.

MA penetration has little relationship with long-term state-wide spending growth (combined MA and FFS)



Slight negative correlation between level of MA penetration and FFS beneficiaries' HCC-adjusted service use



Source: MedPAC analysis of CMS risk-adjusted service use data from 2016 and CMS MA enrollment data by county for beneficiaries enrolled in both Part A and Part B. A lag was used to give MA time to affect FFS use.

Two methodological concerns with the literature

- Some studies fail to adjust for differences in FFS payment rate growth
 - Payment rate growth negatively correlated with MA growth
 - This could result in overestimates of practice-style spillover
- Some studies fail to adjust for HCC coding changes
 - MA coding practices may spillover to FFS
 - This may cause an overestimate of practice-style spillover

Our methods for addressing these concerns

- Payment rates: Measure price-standardized spending
 - 319 urban markets
 - Adequately adjusted rural data is not available
- HCC codes: Measure price-standardized spending for a constant cohort of beneficiaries
 - Can examine how HCC changes are related to MA penetration
 - Can examine changes in price-standardized spending (without an HCC adjustment)

FFS spending is two percent lower in markets with the highest MA penetration

| | Lowest MA penetration markets (n=63) | Highest MA penetration markets (n=64) | Difference |
|---|--------------------------------------|---------------------------------------|------------|
| Share of the Medicare population in MA in 2015 | 13.0% | 52.2% | 39.2 |
| FFS beneficiaries' 2016 price-adjusted spending per month | \$777 | \$763 | -\$14 |

Growth in FFS spending growth is similar in markets with low and high MA penetration

| | Lowest MA penetration growth markets (n=63) | Highest MA penetration growth markets (n=64) | Difference |
|--|---|--|------------|
| MA penetration growth 2012 to 2015 | 0.2% | 12.0% | 11.8 |
| Change in spending for a constant cohort of beneficiaries (2013 to 2016) | \$215 | \$216 | \$1 |

Note: We examined a constant cohort of beneficiaries to control for potential different levels of health status in different markets.

High MA penetration levels are associated with slightly higher HCC growth and slower spending growth

- Multivariate models estimated that a 10 percentage point higher level of MA penetration in 2012 was associated with:
 - About 0.4% higher HCC growth from 2013 to 2016
 - About 0.7% to 0.9% slower spending growth from 2013 to 2016
- No statistically significant effects from growth in MA levels
- Practice pattern spillover effects will vary by market
 - If FFS use is low, expect little savings from spillover
 - If FFS use is high, expect more savings from spillover

Note: The study population was limited to those alive from 2012 to 2016. The regressions also indicate that 10% increase in ACO penetration is associated with about a 0.3 percent reduction in FFS spending in the market.

Summary

- Higher price growth in low MA penetration markets and faster HCC growth in high penetration markets can affect estimates of spillover
- We find a small amount of coding spillover and practice-style spillover

Policy implications

- We have shown that MA program costs are 5+ percent less than FFS in some markets and 5+ percent more than MA in other markets
- The magnitude of spillovers found in this study are too small to change the conclusion that MA results in higher Medicare spending in some markets and lower Medicare spending in other markets