



*Advising the Congress on Medicare issues*

# Medicare Advantage benchmarks

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# Outline of presentation

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- How Medicare benchmarks are set
- Policy issues
  - Benchmark caps
  - Double quality bonuses
  - Measuring average Medicare fee-for-service (FFS) spending

# How Medicare benchmarks are set

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- Process established in PPACA
  - Based on per-capita, risk-adjusted Medicare FFS spending
  - Counties divided into FFS spending quartiles (115%, 107.5%, 100%, and 95%)
  - Quartile value multiplied by FFS to get the benchmark
  - Quality bonuses of 5 percent of FFS spending
- Transition will be completed in 2017

# Benchmark caps

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- County benchmarks are capped at the greater of the county's FFS spending and the county's 2010 benchmark increased by a national growth factor
- Caps apply even for benchmarks that include quality bonuses

# Benchmark caps, 2016

		Low FFS	→	→	High FFS
	All Quartiles	115 percent Quartile	107.5 percent Quartile	100 percent Quartile	95 percent Quartile
<b>MA enrollees in bonus- capped counties</b>	19%	31%	38%	19%	1%
<b>MA enrollees in base- capped counties</b>	6%	15%	12%	3%	0%
<b>Average benchmark cap reduction (\$ per month)</b>	40	42	46	33	18

Numbers are preliminary and subject to change.

Source: CMS MA rate calculation data, 4/15; CMS plan enrollment data, 2/15

# Eliminate or limit benchmark caps

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- Benchmark caps create inequities
  - Caps perpetuate outdated spending patterns
  - Results mostly in a cut to the quality bonuses for some counties
- One option for addressing the inequity would be to eliminate or limit the effect of the cap

# Double quality bonuses

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- Three criteria to be a double quality bonus county
  - Received urban floor payment rates in 2004
  - Had a private plan penetration rate of at least 25 percent in 2009 (including cost plan enrollment), and
  - Has projected FFS spending lower than the national average FFS spending
- Dispersed around the country
- Inequitable - rewards plans for geography rather than higher quality

# Effects of double quality bonuses, 2016

		Low FFS	→	High FFS	
	All Quartiles	115 Percent Quartile	107.5 Percent Quartile	100 Percent Quartile	95 Percent Quartile
<b>Double bonus counties</b>	236	92	80	64	0
<b>MA enrollees in high quality plans and double quality bonus counties</b>	19%	37%	29%	25%	0%

Numbers are preliminary and subject to change.

Source: CMS MA rate calculation data, 4/15; CMS plan enrollment data, 2/15

# Eliminate benchmark caps and double bonuses

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- Benchmark caps reduce quality bonuses for some counties inequitably
- Double bonuses increase quality bonuses for some counties inequitably
- Elimination of both inequitable policies would simplify the MA payment system while improving the equity across counties

# Impacts of eliminating benchmark caps and double quality bonuses, 2016

		Low FFS	—————→	—————→	High FFS
	All Quartiles	115 Percent Quartile	107.5 Percent Quartile	100 Percent Quartile	95 Percent Quartile
<b>Benchmark increases from eliminating caps (in \$millions)</b>	821	315	394	110	2
<b>Benchmark decreases from eliminating double quality bonuses (in \$millions)</b>	-1,018	-349	-321	-347	0
<b>Net change in benchmarks (in \$millions)</b>	-197	-34	73	-237	2

Numbers are preliminary and subject to change.

Source: CMS MA rate calculation data, 4/15; CMS plan enrollment data, 2/15

# Measuring county-level FFS spending for use in MA benchmarks

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- CMS calculates average per capita FFS Part A and Part B spending for each county
- Calculation includes spending for beneficiaries in Part A or Part B
- MA enrollees must have both Part A and Part B
- Average Part A spending for beneficiaries with Part A and Part B higher than spending for beneficiaries with Part A only

# FFS calculation concerns

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- Nationally, in 2012, 9 percent of FFS beneficiaries have Part A, but not Part B
- In counties where 20 percent of FFS beneficiaries are Part A-only, FFS will likely be underestimated
- In counties where 3 percent of FFS beneficiaries are Part A-only, FFS will likely be overestimated
- Solution is complicated, more work needed

# Summary

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- Benchmark system has several inequities
  - Benchmark caps
  - Double quality bonuses
  - Use of beneficiaries with Part A or Part B to measure FFS spending
- Caps and double bonuses could be handled together
- We can continue to examine potential for measuring FFS spending using data from beneficiaries with Part A and Part B