The Medicare Advantage program: Status report

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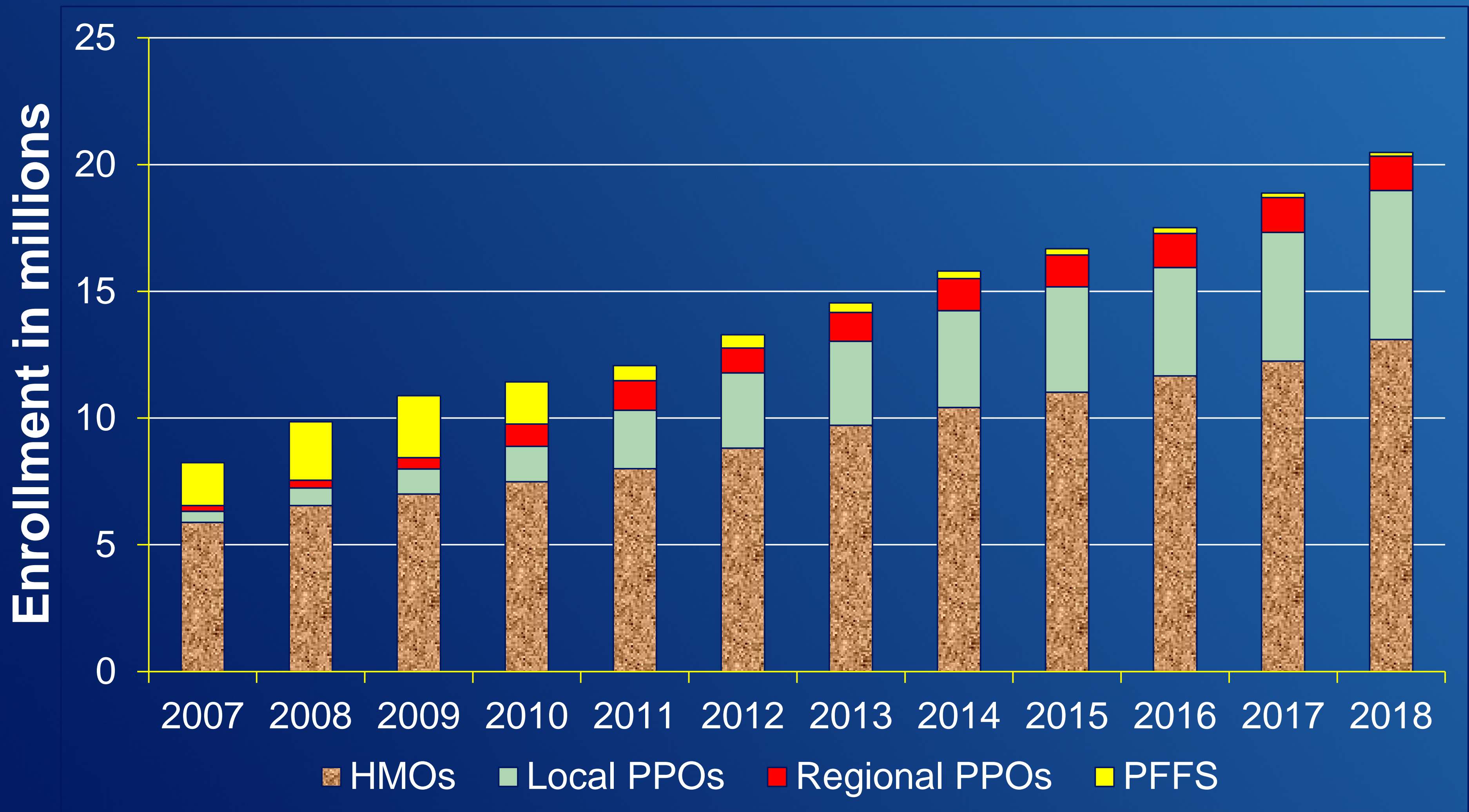
Today's presentation

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

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 counties to 95% of FFS in highest-spending counties
- Benchmarks are increased for plans with high quality scores
- If bid < benchmark, plans get a percentage (varies by plan quality score) of the difference as a “rebate” for extra benefits, Medicare keeps the rest of the difference
- If bid > benchmark, program pays benchmark, enrollee pays premium

MA enrollment by plan type, 2007-2018



Source: CMS enrollment data

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Percentage of Medicare beneficiaries with an MA plan available, 2015-2019

Type of plan	2015	2016	2017	2018	2019
Any MA	99%	99%	99%	99%	99%
HMO/ Local PPO	95	96	95	96	97
Regional PPO	70	73	74	74	74
Zero-premium plan w/Part D	78	81	81	84	90
Avg. number of choices					
County weighted	9	9	10	10	13
Beneficiary weighted	17	18	18	20	23
Average rebate available for extra-benefits*	$76	$81	$89	$95	$107

*for non-employer, non-SNP plans

Note: PFFS (private fee-for-service), MA (Medicare Advantage)

Source: CMS website, landscape file, and plan bid submissions.

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Benchmarks, bids, and payments relative to FFS for 2019

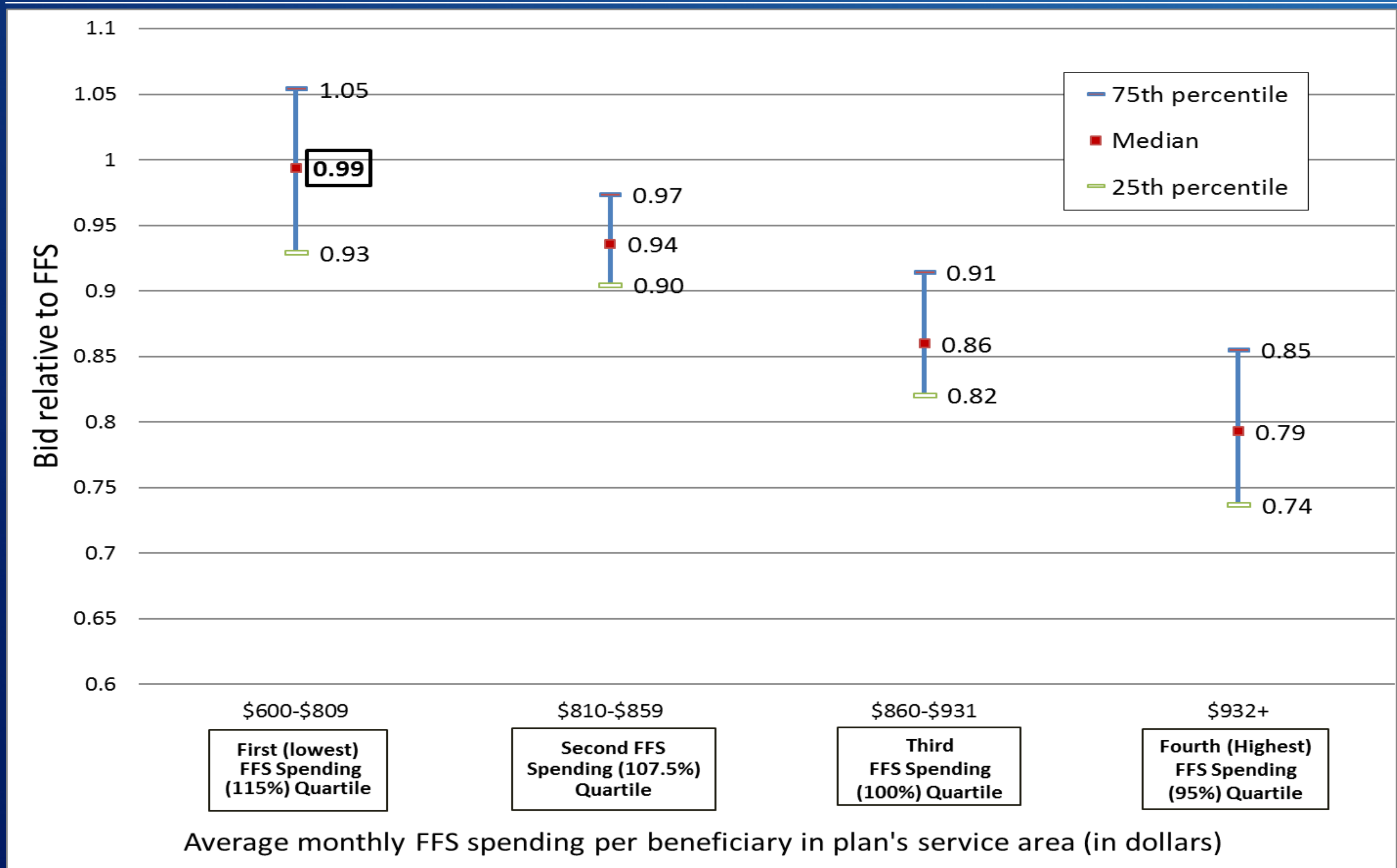
	Benchmarks/ FFS	Bids/ FFS	Payments/ FFS
All MA plans	107%	89%	100%*
HMO	107	88	100
Local PPO	109	96	104
Regional PPO	105	91	97
PFFS	107	104	106

Note: MA (Medicare Advantage), PFFS (private fee-for-service). All numbers reflect quality bonuses, but not coding differences between MA and FFS Medicare.

* Payments would average 101-102 percent of FFS if coding intensity were to be reflected fully.

Source: MedPAC analysis of CMS bid and rate data.

Bids are lower relative to FFS in all areas



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MA risk adjustment

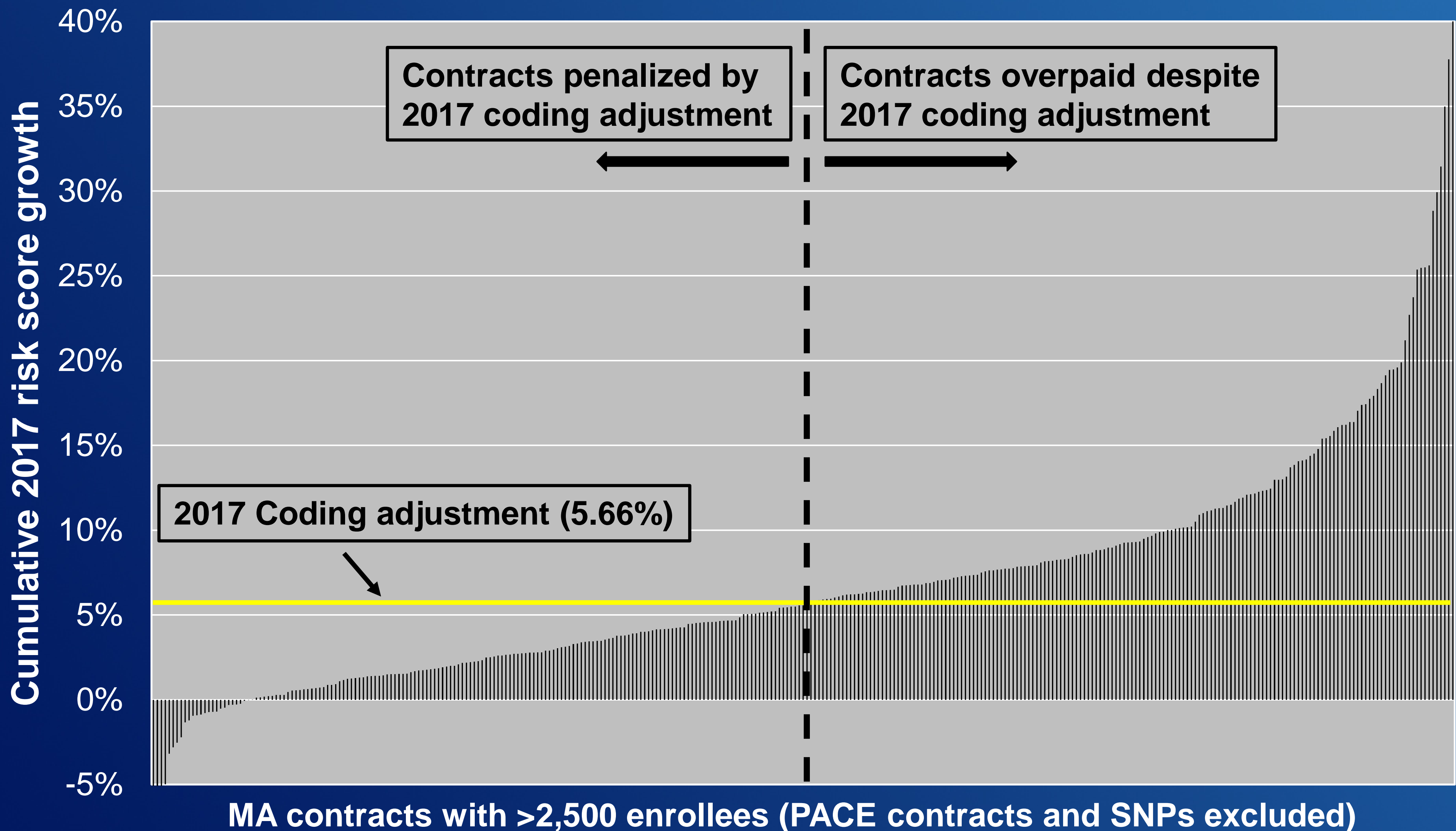
- Medicare pays MA plans a capitated rate:
  - Base $ amount x beneficiary-specific risk score
- Risk scores adjust payment
  - Increase base rate for more costly beneficiaries
  - Decrease base rate for less costly beneficiaries
- FFS: Little incentive to code diagnoses
- MA: Financial incentive to code diagnoses
  - Higher payment for more HCCs documented
  - Higher MA risk scores for equivalent health status

Diagnostic coding intensity impact on payment

- 2017 MA risk scores were 7% higher than FFS
- After accounting for coding adjustment of 5.66%:
  - MA risk scores in 2017 were 1 to 2% higher than FFS due to coding differences
- Reduction in impact of coding differences
  - New models reduced impact of coding differences
  - FFS scores grew faster, slower relative MA growth
  - Encounter data slightly reduced MA scores

Source: MedPAC analysis of enrollment and risks score files.
Estimates are preliminary and subject to change.

Variation in coding intensity impact across MA contracts



Source: MedPAC analysis of enrollment and risks score files.
Estimates are preliminary and subject to change.

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Quality in MA

- Quality bonus program: 5-star rating system with bonuses for contracts at 4 stars or higher
  - Seventy-five percent of enrollees in bonus-level plans (bonus payments of ~$6 billion for 2019)
- Sponsors use contract consolidations to move enrollees to bonus-level contracts
  - 550,000 enrollees moved at end of 2018 (unwarranted bonus payments of ~$200 million in 2019)
  - Nearly 5 million enrollees moved over last 5 years
  - Beginning next year, use of averaging method will limit, but not eliminate, consolidation options

Level of quality in MA indeterminate

- Stars not a good basis of judging MA quality because of contract consolidations and large, geographically dispersed, contracts
- Also difficult to judge based on individual quality measures: For many important measures, small samples drawn at the contract level, regardless of the size and geographic reach of the contract

Summary of status of MA

- MA sector is very healthy
  - Growth in enrollment, plan offerings, and extra benefits
  - Reduction in impact of coding differences
- Ongoing issues that we continue to track
  - Determining quality in MA and issues with the quality bonus program
  - Accounting for coding differences between MA and FFS with equitable and complete adjustment policy
  - Ensuring completeness and accuracy of encounter data

Contemplating future MA payment policy

- Fiscal pressure of PPACA payment reforms effective in bringing down MA bids
  - Bids below FFS even in areas thought to be challenging for plans
- MA payments near parity with 100 percent of FFS
- Is 100 percent of FFS the right measure for determining whether MA has reached its maximum level of efficiency?
- Disconnect between current approach in FFS and for MA
  - FFS: Exert fiscal pressure to promote efficiency and program savings
  - MA: If FFS strategies successful, MA benchmarks go down
- Our principle of parity suggests the potential to apply an equal level of pressure on FFS and MA with respect to program costs and quality