Advising the Congress on Medicare issues

Issues in Medicare Advantage

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Informational presentation on three issues in Medicare Advantage

- The provider-sponsored organization MA contracting option
- Narrowed networks and network adequacy requirements
- Margins in 2012

The provider-sponsored organization (PSO) option

- Introduced in 1997
  - Federal PSO option available through 2002
  - “PSO (state licensed)”—state certification using solvency standards following the Federal model; still an available option
  - Last “PSO (state licensed)” left the MA program in 2012
- A number of provider-based organizations have MA contracts, but as state-licensed HMOs or PPOs

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Narrowed networks and network adequacy in MA

- Plans can terminate providers with 60-day notice to provider and 30-day notice to beneficiary
- Recent CMS policy changes
  - 90-day notice to CMS of major changes in provider network
  - Special election period for affected beneficiaries in certain cases
- Plans must continue to comply with network adequacy requirements
- We will continue to monitor this issue

Why examine margins of MA plans?

- Consistent with our charge to survey the “landscape” of the MA sector
  - Improves and deepens our knowledge of the MA sector
  - Provides information about trends in MA and differences within MA
- Plans are held to a medical loss ratio requirement beginning in 2014, which can have an effect on margin levels

MA margin levels, 2012 historical data

- MA-wide revenue-weighted average margin at 4.9 percent (Part C)
  - Administrative costs average 8.8 percent
  - Benefit costs average 86.3 percent
- Very few companies reported negative margins
- Differences by plan categories
- Will report on Part D in the future

Source: MedPAC analysis of 2014 MA bid data. Data are preliminary and subject to change.

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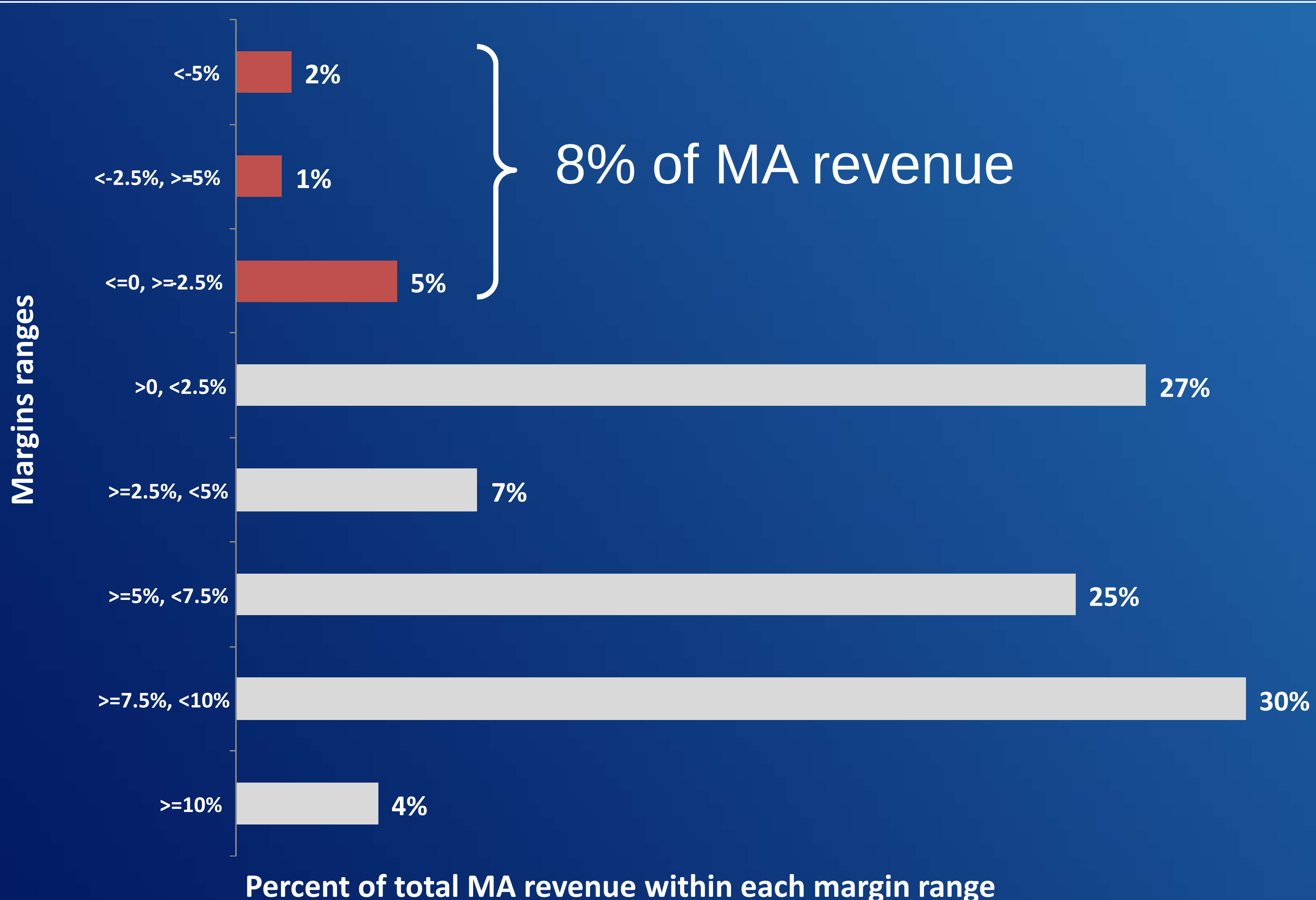
In 2012, few companies had negative MA margins



Source: MedPAC analysis of 2014 MA bid data. Data are preliminary and subject to change.

MA margins in 2012 varied across plan categories

Higher margins	Lower margins
HMOs (5.4%)	Local preferred provider organizations (3.1%)
For-profit plans (6.3%)	Not-for-profit plans (1.9%)
Employer-group plans (7.2%)	Plans for individual Medicare beneficiaries (4.4%)
Older plans (5.1%)	Newer plans (3.1%)
Special needs plans (SNPs, 8.6%), compared to non-SNP plans (4.3%)	Not-for-profit SNPs (-0.6%)

Note: Comparison of older versus newer plans is based on a subset of plans, not the entire data set.
Source: MedPAC analysis of 2014 MA bid data. Data are preliminary and subject to change.

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Variation in margins by other plan characteristics (1)

Higher margins among plans

- Operating in counties with high average fee-for-service expenditures
- That enroll a high proportion of partial dual-eligible beneficiaries (12.9% margin), compared to plans with large full-dual enrollment (5.7% margin)

Source: MedPAC analysis of 2014 MA bid data. Data are preliminary and subject to change.

Variation in margins by other plan characteristics (2)

- Higher margins among plans
  - With higher average risk scores
  - With higher share of beneficiaries with multiple diagnosed conditions
- Possible differences in coding practices

Source: MedPAC analysis of 2014 MA bid data. Data are preliminary and subject to change.

Discussion

- Questions?
- Additional analyses?