



Advising the Congress on Medicare issues

Medicare Advantage benchmarks

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Outline of presentation

- 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

- 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

- 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
MA enrollees in bonus-capped counties	19%	31%	38%	19%	1%
MA enrollees in base-capped counties	6%	15%	12%	3%	0%
Average benchmark cap reduction (\$ per month)	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

- 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 - Caps perpetuate outdated spending patterns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

- 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
Double bonus counties	236	92	80	64	0
MA enrollees in high quality plans and double quality bonus counties	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

- 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
Benchmark increases from eliminating caps (in \$millions)	821	315	394	110	2
Benchmark decreases from eliminating double quality bonuses (in \$millions)	-1,018	-349	-321	-347	0
Net change in benchmarks (in \$millions)	-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

- 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

- 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

- 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