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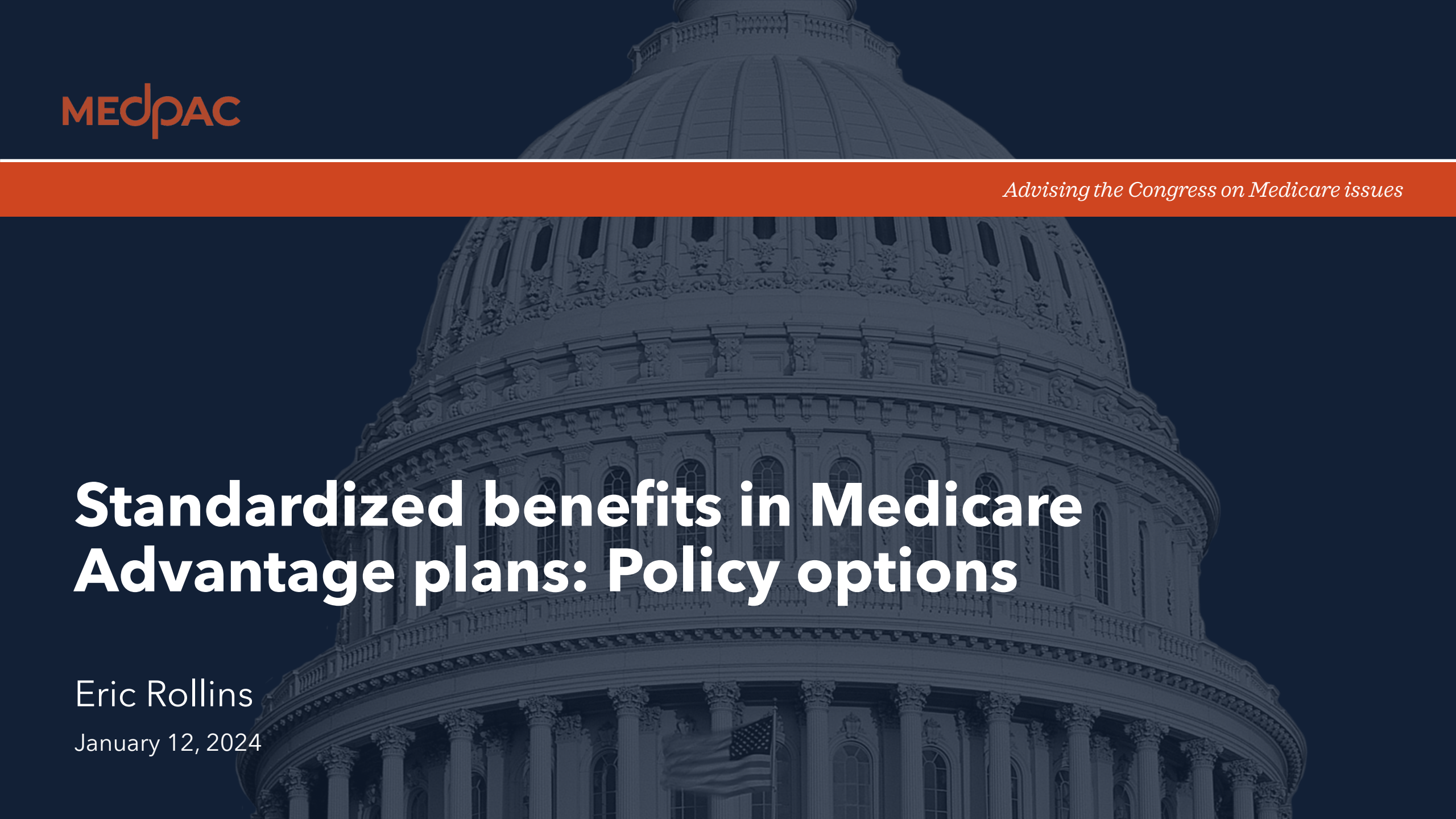

Standardized benefits in Medicare Advantage plans: Policy options

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Introduction

- More than half of beneficiaries with Part A & B coverage are enrolled in Medicare Advantage (MA) plans
- Average beneficiary has 43 MA plans available in their area
- Comparing plans is an increasingly important part of the beneficiary experience
- Standardized benefits could make it easier for beneficiaries to understand their plan options and select the plan that best meets their needs

The Commission's previous work on standardized benefits

- We began work on this issue during the 2022-2023 meeting cycle, with two presentations and an informational chapter in our June 2023 report
- We made another presentation at our September 2023 meeting
- Commissioner discussions at those meetings have produced a potential framework for standardization

Some major features of the potential framework

- Standardized benefits would be used only in conventional plans; employer plans and special needs plans would be excluded
- Part A & B cost sharing and supplemental dental, vision, and hearing benefits would be standardized; no other supplemental benefits would be standardized
- Insurers could offer plans that have identical benefits but different types of provider networks (such as HMO vs. PPO)
- Standards would be set through regulation to provide flexibility to revisit periodically and adjust as needed

Note: HMO (health maintenance organization), PPO (preferred provider organization).

Illustrative packages with standardized MA cost sharing for Part A & B services

Service category	Package 1 (Lower generosity)	Package 2 (Medium generosity)	Package 3 (Higher generosity)
Maximum out-of-pocket limit	$6,200	$4,900	$3,400
Deductible	$0	$0	$0
Inpatient acute care (days 1-5 of stay)	$335 per day	$300 per day	$225 per day
Skilled nursing care (days 21-100 of stay)	$196 per day	$196 per day	$178 per day
Primary care visit	$0	$0	$0
Specialist visit	$40	$35	$20
Outpatient hospital service	$300	$295	$200
Emergency care	$90	$90	$90
Urgent care	$40	$40	$30
Dialysis	20%	20%	20%

Note: These packages are for illustrative purposes only and do not represent MedPAC policy proposals. They were previously published in our June 2023 report to the Congress (Table 3-15).

Illustrative standard and high options: MA dental benefits

			Beneficiary coinsurance		
	Annual benefit limit	**Deductible**	**Class A: Preventive services**	**Class B: Intermediate services**	**Class C: Major services**
Standard option	$1,500	$0	0%	30%	50%
High option	No limit	0	0	20	35

- There would be separate standard and high options for both vision and hearing benefits

Note: These options are for illustrative purposes only and do not represent MedPAC policy proposals. They were previously published in our June 2023 report to the Congress (Table 3-16).

Some potential effects of standardization

- Plan stakeholders expressed a mix of support and opposition to the Commission's potential framework
  - None thought standardization would be difficult to implement
- Impact on MA enrollees
  - Plan choices would be clearer and easier to understand
  - One-time disruption in plan benefits during initial transition
  - Note that enrollees already experience disruption under current program
- Impact on MA plan competition
  - Greater pressure for plans to compete on price (i.e., premiums)
  - More incentive for plans to differentiate themselves using supplemental benefits that aren't standardized

Policy options for standardizing MA benefits

- We developed three options that focus on how many standardized plans an insurer could offer in the same county
- Every option is based on the Commission's potential framework for standardization, reflecting areas where the Commission reached some agreement in its previous discussions
- Commissioners could also develop an alternative option during their discussion today

Common features of the three policy options

Issue	Common features
Types of plans affected	• Conventional MA plans only • Employer plans and SNPs would not be affected
Types of benefits affected	• Cost sharing for Part A and Part B services • Supplemental dental, vision, and hearing benefits • Other supplemental benefits would not be affected
Standardized cost sharing for Part A and Part B services	• Plans would use a small number of packages that specify the deductible, out-of-pocket limit, and cost-sharing amounts for all major services
Standardized dental, vision, and hearing benefits	• Plans offering these benefits would cover a standard set of items and services • Plans would cover each benefit using either a "standard" or "high" option
Other issues	• Insurers could offer plans with same benefit package but different types of provider networks (such as HMO vs. PPO) • Many requirements for standardized benefits would be set through regulation

Note: SNP (special needs plan), HMO (health maintenance organization), PPO (preferred provider organization).

A brief overview of the three policy options

	Option 1	Option 2	Option 3
Total number of plans is limited in some way	No	Yes	Yes
Type of limit used	N/A	One plan for each combination of Part A/B cost-sharing package and network type	Overall cap on number of plans
Maximum number of plans an insurer could offer	N/A	Depends on the number of Part A/B cost-sharing packages and network types. If there were 3 cost-sharing packages (low, medium, and high) and 2 network types (HMO and PPO), an insurer could offer up to 3 × 2 = 6 plans.	3 plans

Note: N/A (not applicable), HMO (health maintenance organization), PPO (preferred provider organization). These options are for conventional MA plans that have Part D prescription drug coverage. There would likely need to be separate limits for conventional MA plans without drug coverage. Employer-sponsored plans and special needs plans would not be affected.

Option 1: No limit on the number of plans

- Least prescriptive option because insurers could offer as many plans as they wanted in a county (as they can now)
- All plans would have standardized Part A/B cost sharing and dental, vision, and hearing benefits
- Insurers could offer multiple plans with the same Part A/B cost sharing and network type; these plans could differ in other respects

Option 2: Limit of one plan per combination of Part A/B cost-sharing package and network type

- Maximum number of plans would depend on the number of distinct cost-sharing packages and network types
- As an example, using our illustrative packages, an insurer could offer a single PPO product with the lower-generosity package
- CMS and some states have used a similar approach to standardize ACA plans
- Insurers might choose not to offer every combination of cost-sharing package and network type

Note: PPO (preferred provider organization), ACA (Affordable Care Act of 2010).

Option 3: Limit on the overall number of plans

- An insurer could offer up to 3 plans in a county
- Insurers would decide which cost-sharing package and network type to use in each plan
- CMS has used a similar approach to limit PDP offerings

Note: PDP (prescription drug plan).

Number of MA-PDs offered in the same county by the same insurer, 2018 vs. 2023

Year	Percentile				
	10th	25th	50th	75th	90th
2018	1	1	2	3	5
2023	1	2	4	5	7

- Under a 3-plan limit, since an average of 8 insurers now offer plans in each county, the average beneficiary would likely still have access to about 20 plans

Note: MA-PD (Medicare Advantage-Prescription Drug [plan]). Table does not include employer-sponsored plans, special needs plans, or Medicare medical savings account plans.
Source: MedPAC analysis of MA landscape files.

Key policy tradeoffs for the three options

	Option 1	Option 2	Option 3
Simplification for beneficiaries:			
• Reduction in number of available plans	Lowest	Intermediate	Highest
• Level of differentiation among an individual insurer's plans	Lowest	Highest	Intermediate
Flexibility for MA insurers:			
• Ability to offer multiple plans in the same county	Highest	Intermediate	Lowest
• Ability to offer plans with similar standardized benefits	Highest	Lowest	Intermediate

Note: Under each option, insurers would retain their current flexibility to determine their coverage of all supplemental benefits other than dental, vision, and hearing benefits.

Discussion

- What are your reactions to the three options we presented?
  - Option 1: No limit on the number of plans
  - Option 2: One plan per combination of Part A/B cost-sharing package & network type
  - Option 3: Overall limit of three plans
- Are there other options that should be considered?

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