

*Advising the Congress on Medicare issues*

# The Medicare Advantage program: Status report

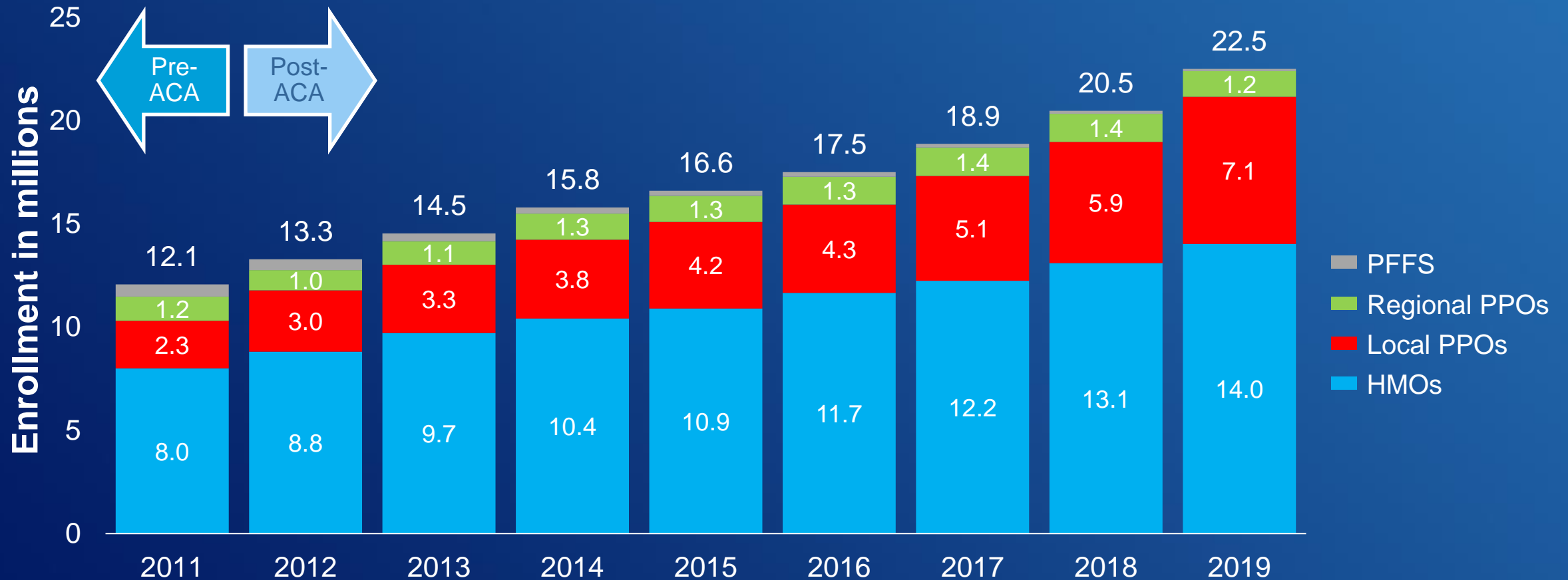
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December 6, 2019

# Today's presentation

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

# Enrollment in MA plans continues to grow rapidly



Notes: MA (Medicare Advantage), ACA (Affordable Care Act of 2010), PFFS (private fee-for-service), PPO (preferred provider organization), HMO (health maintenance organization). PFFS plans enrolled less than 1 million beneficiaries in each year.

Source: CMS enrollment data

# MA plans available to nearly all Medicare beneficiaries; number of plan choices increasing

| <b>Plan Availability*</b>  | <b>2016</b> | <b>2017</b> | <b>2018</b> | <b>2019</b> | <b>2020</b> |
|----------------------------|-------------|-------------|-------------|-------------|-------------|
| Any MA plan                | 99%         | 99%         | 99%         | 99%         | <b>99%</b>  |
| Zero-premium plan w/Part D | 81          | 81          | 84          | 90          | <b>93</b>   |
| Avg. number of choices     | 18          | 18          | 20          | 23          | <b>27</b>   |

\*Medicare beneficiaries with a non-employer, non-Special Needs MA plan available

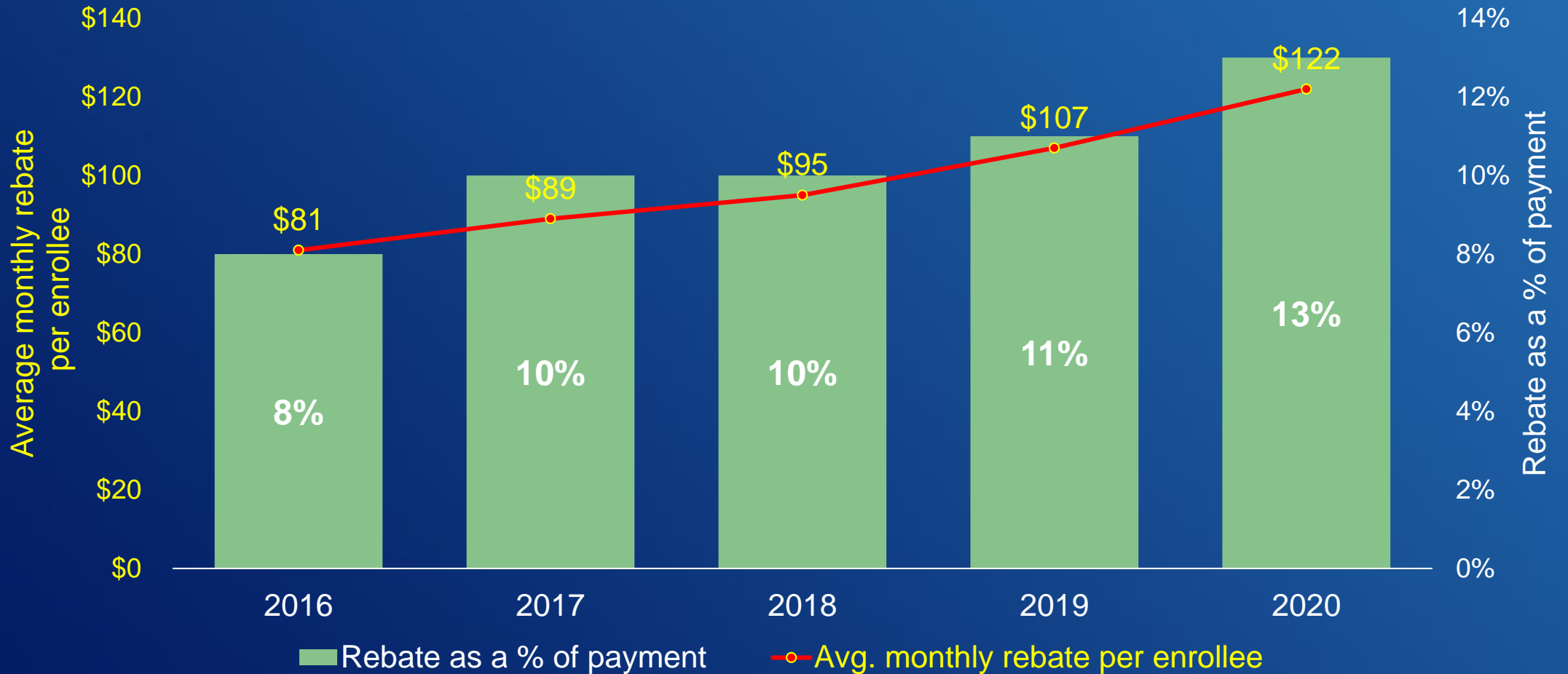
Source: CMS enrollment data and plan bid submissions.

# MA plan payment policy

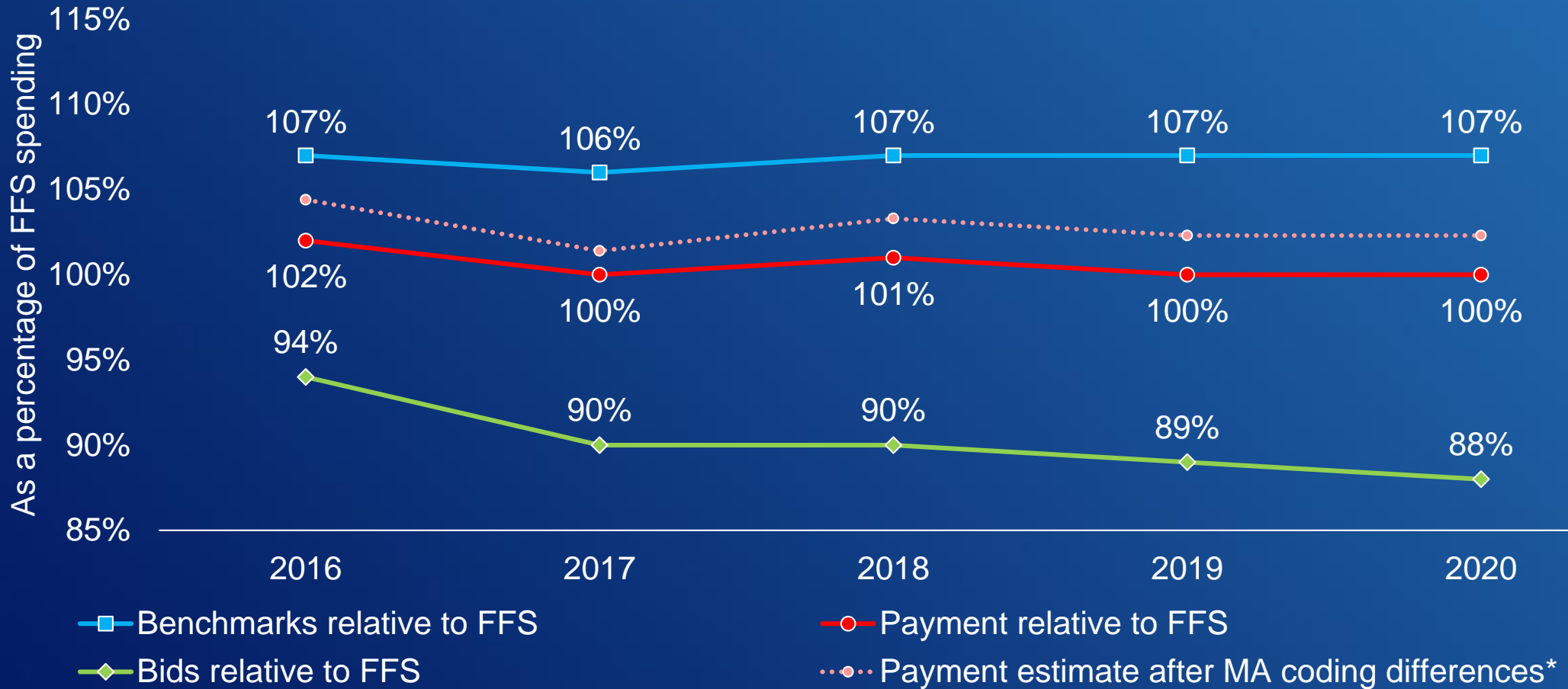
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- Payments based on plan bids, benchmarks (county-based and risk-adjusted), and quality scores
- Benchmarks range from 115% of FFS in lowest-FFS spending counties to 95% of FFS in highest-spending counties
- Benchmarks are increased for plans based on overall quality scores
- If bid < benchmark, plans get a percentage (varies by plan quality score) of the difference as a “rebate”; Medicare keeps the rest of the difference
- If bid > benchmark, program pays benchmark, enrollee pays premium

# Level of rebates reached historic high in 2020



# MA benchmarks, bids, and payments relative to FFS, 2016-2020

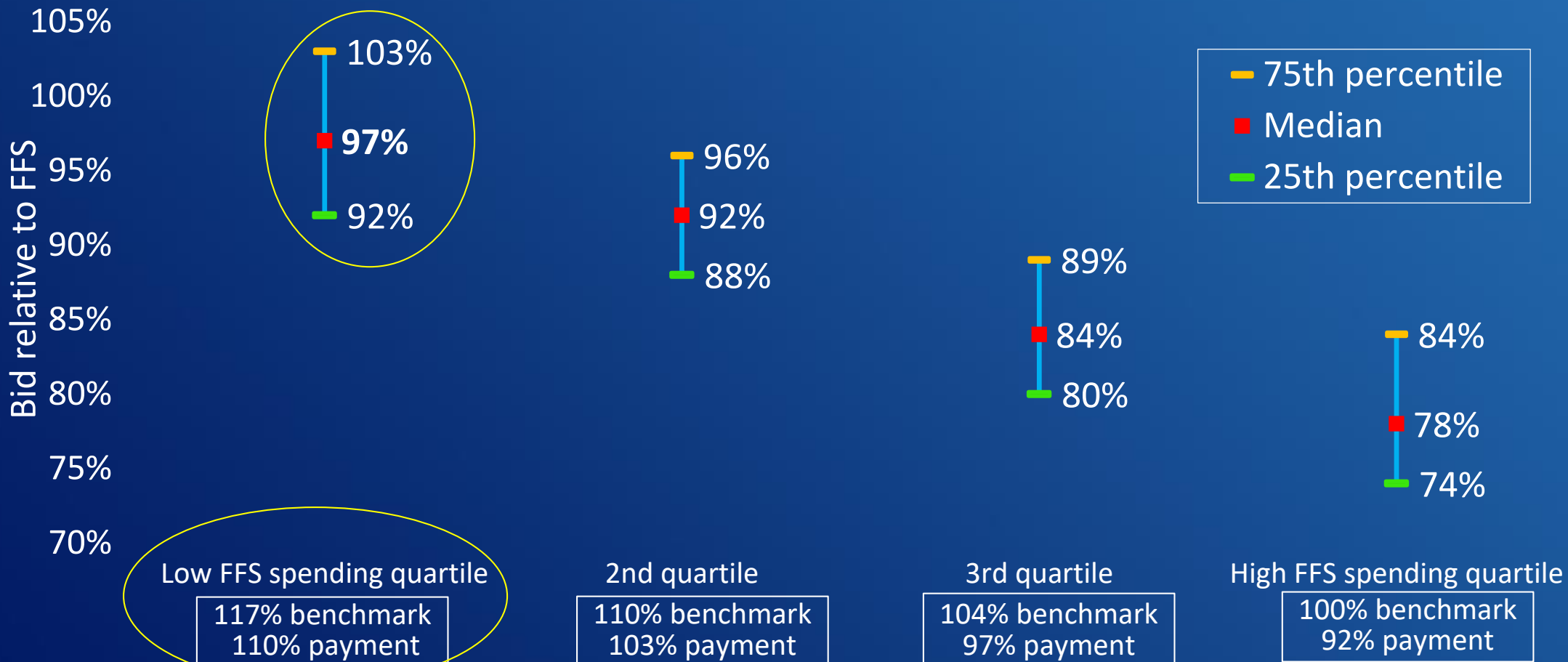


\*Coding differences in 2019 and 2020 reflect 2018 levels (the most recent available data).

Note: FFS (fee-for-service). Benchmark and payment percentages include quality bonuses. Data preliminary and subject to change.

Source: Analysis of MA bid and rate data.

# Even in the lowest spending areas, most MA plans bid below local FFS spending



## Quartiles of FFS spending per beneficiary in plan's service area

Note: FFS (fee-for-service). Benchmark and payment averages within each quartile include quality bonuses and are shown as a percentage of local FFS spending. Data preliminary and subject to change.

Source: Analysis of MA bid and rate data.



# MA risk adjustment largely based on diagnoses

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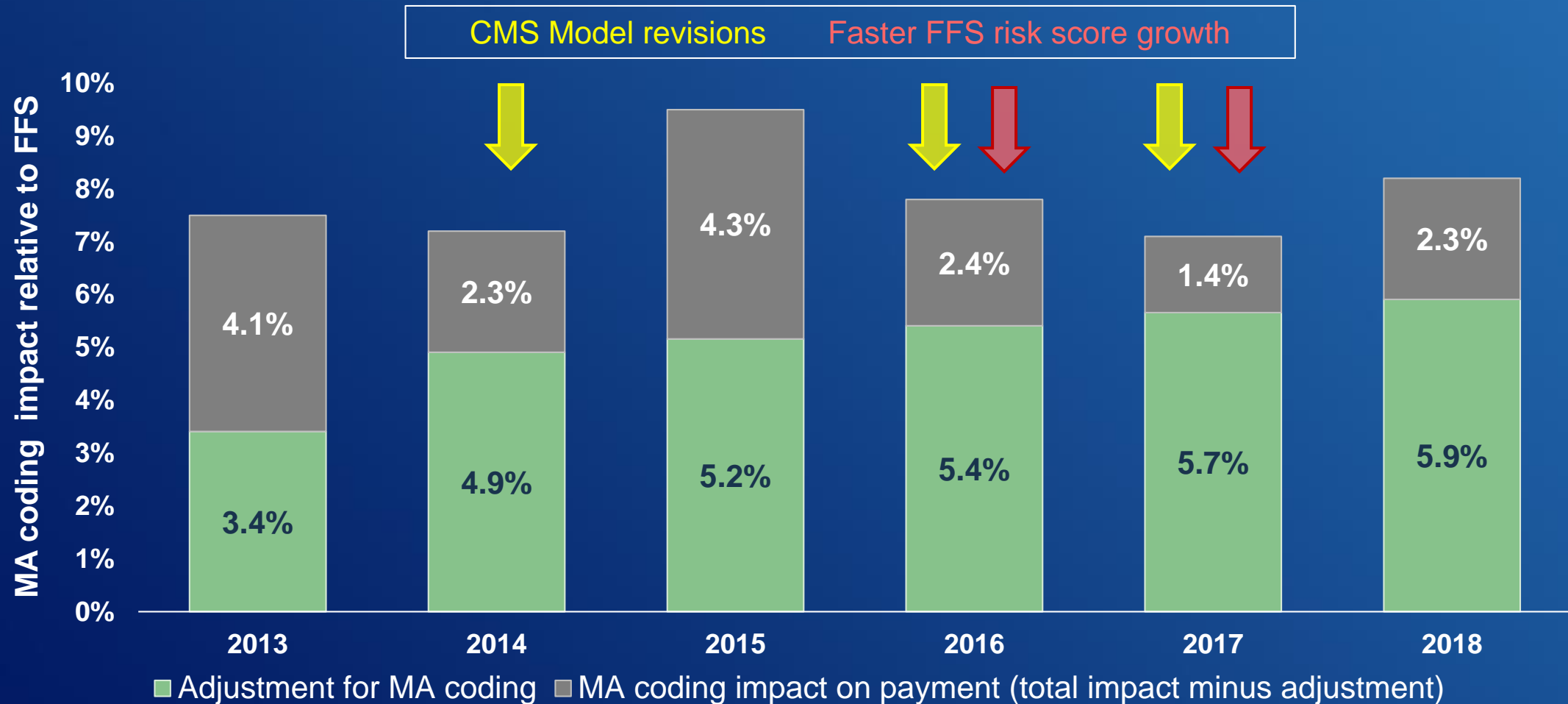
- Medicare pays MA plans a capitated rate:
  - Base payment amount \* beneficiary-specific risk score
- Risk scores are based on:
  - Demographic information
  - Diagnoses grouped in hierarchical condition categories (HCCs)
- Risk scores adjust payment
  - Increase base rate for more costly beneficiaries
  - Decrease base rate for less costly beneficiaries

# MA coding generated excess payments in 2018

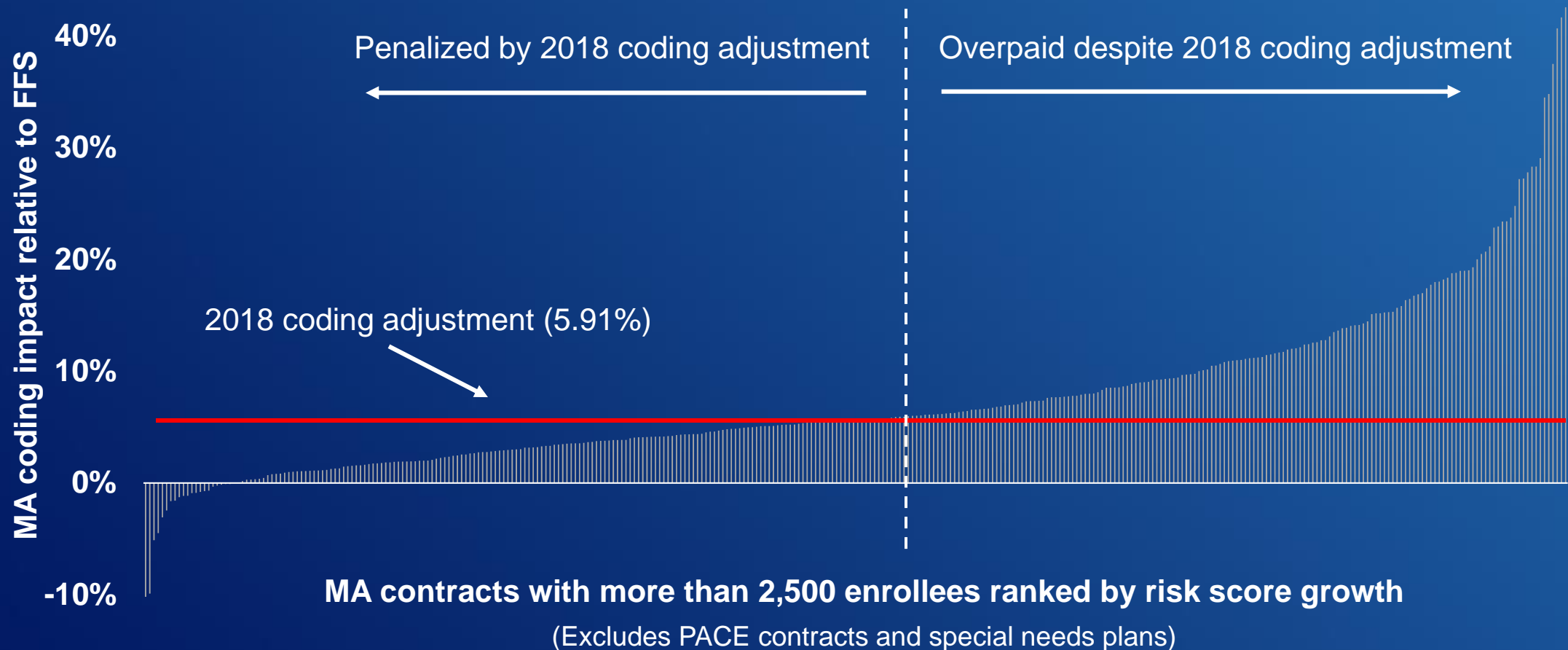
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- Differences in diagnostic coding between FFS and MA
  - FFS: Little incentive to code diagnoses
  - MA: Financial incentive to code more diagnoses
  - Leads to greater MA risk scores for equivalent health status
- 2018 MA risk scores were about 8 percent higher than FFS
- After accounting for coding adjustment of 5.91 percent:
  - MA risk scores in 2018 were 2 to 3 percent higher than FFS due to coding differences, generating about \$6B in excess payments

# Impact of MA coding intensity likely to increase; can be limited by model revisions



# Variation in coding intensity impact across MA contracts



# Quality in MA cannot be meaningfully evaluated

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- Quality bonus program (QBP) not a good basis of judging quality for the one-third of Medicare beneficiaries in MA
  - Large and dispersed contracts, exacerbated by consolidations
  - Too many measures, some based on small sample
  - Cannot be compared to FFS in local market
- QBP generates about \$6 billion for highly-rated contracts
  - 82 percent of enrollees in bonus-level plans
- An improved value incentive program could address these issues

# Summary of status of MA

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- MA sector is very healthy
  - Continued growth in enrollment, plan offerings, and extra benefits
- Issues we continue to track:
  - Adjusting for coding differences between MA and FFS
  - Ensuring completeness and accuracy of encounter data
- Ongoing work:
  - Improving the quality bonus program