

BETTER MEDICARE
ALLIANCE



Managed Care

Medicare Managed Care Update

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May 16, 2018

The Medicare Advantage Program

- **Medicare Advantage Allows for:**
 - Beneficiary choice
 - Greater flexibility to innovate and try new care delivery models
- **Growth of Medicare Advantage:**
 - Plan options: 3,300
 - Organizations offering plans: 185
 - Total enrollment: 19 million beneficiaries (32% of all Medicare beneficiaries, up from 31% in 2016)
 - Total payment: \$210 billion (not including Part D drug plan payments)

Plan Availability and Number of Choices

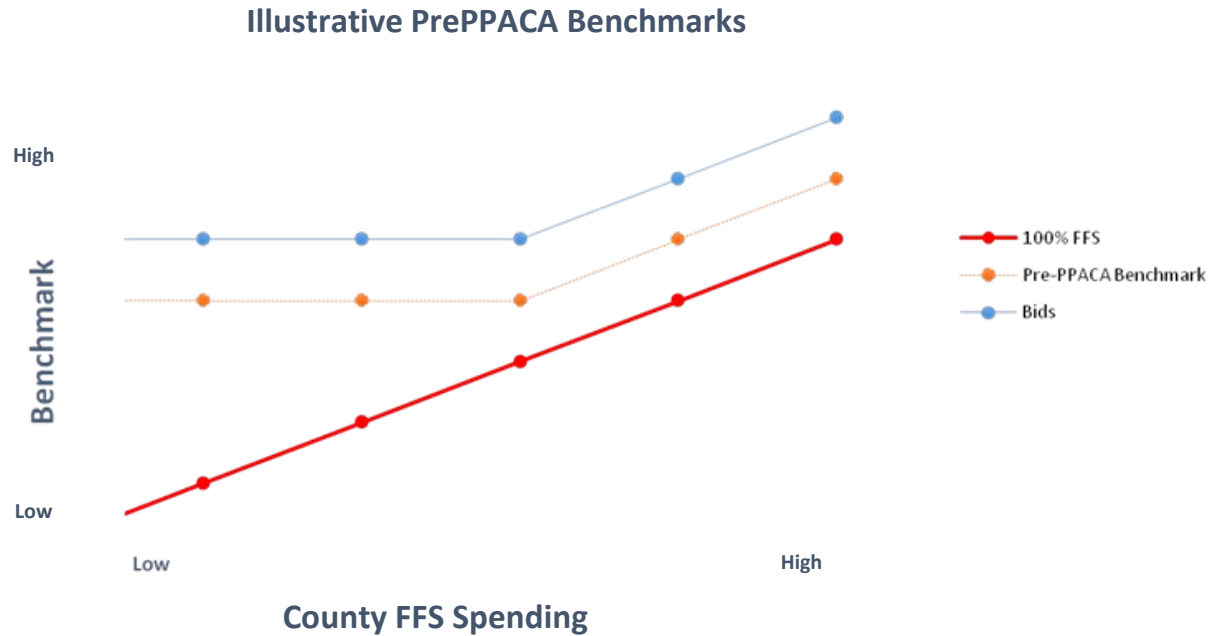
	2012	2013	2014	2015	2016	2017	2018
Type of Plan							
Any MA	100%	100%	100%	99%	99%	99%	99%
HMO/Local PPO	93	95	95	95	96	95	96
Regional PPO	76	71	71	70	73	74	74
PFFS	60	59	53	47	47	45	41
Average Number of Choices							
County Weighted	12	12	10	9	9	10	10
Beneficiary Weighted	19	19	18	17	18	18	20
Average Rebate for Non-employer, Non-SNP Plans	\$85	\$81	\$75	\$76	\$81	\$89	\$95

Source: MedPac analyses of CMS bid data and population reports.

Enrollment

- Between 2016 and 2017, enrollment grew by about 8 %
 - 1.4 million new enrollees
- High beneficiary satisfaction with plans that is equal to FFS satisfaction

Pre-PPACA Benchmarks



Issues Arising from 2010 Benchmarks

- Every beneficiary enrolled in MA cost the program more than if they were enrolled in FFS
- Extra benefits were subsidized by taxpayer rather than plan efficiencies
- Plan bids on average equaled FFS spending, however many plans' bids often exceeded FFS spending
- Rapid growth in FFS “managed care” plans

Benchmarks, Bids, and Payments Relative to FFS

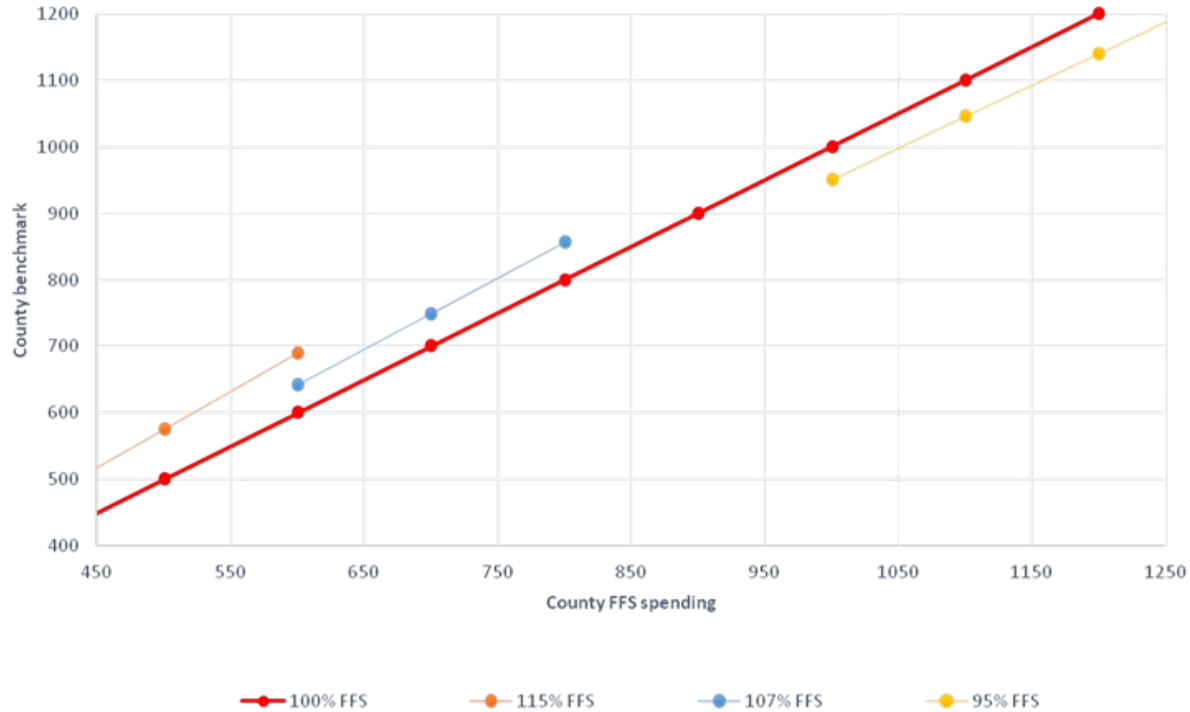
All MA Plans	Benchmarks	Bids	Payments
	<u>FFS</u>	<u>FFS</u>	<u>FFS*</u>
2010	112%	100%	109%
2018	107%	90%	101%

Source: MedPac analyses of CMS bid and rate data.

* Numbers in this table have been risk adjusted and reflect quality bonuses, but they have not been adjusted for coding intensity differences between MA and FFS that exceed the statutory minimum adjustment.

PPACA Benchmarks, 2018

Illustrative PPACA Benchmarks



Status of Bidding in 2018

- Average bid = 90% of FFS
- For 2018, about 70 percent of plans, accounting for 77 percent of MA enrollment, have bids below FFS spending.
- However, in some parts of the country where MA plans bid less than FFS and some areas bid above FFS.
- In 2010 Congress chose to continue to subsidize plans in some parts of the country.

Current Issues

- Coding problems continue
 - MedPac’s latest analysis shows that higher diagnosis coding intensity resulted in MA risk scores that were 8 percent higher than scores for similar FFS beneficiaries
 - By law, MA risk scores are reduced by about 6% to recapture coding effects, but that still leaves MA risk scores and payments about 2% higher than in FFS Medicare (overspending about \$4 billion a year)
- Quality
 - Methodology issues (e.g. which measures to include; how measures are weighted and aggregated)
 - Star Rating System gaming
 - At the end of 2017, 1.4 million enrollees were in a non-bonus contract that was absorbed by another contract with a rating of 4 stars or higher
 - Since 2013, over 4 million enrollees (over 20% of MA enrollees) have been moved among contracts to secure bonus payments that would not otherwise be payable

Current Issues, Cont'd

- Concentration of enrollment
 - Top 10 MA organizations accounted for 72% of enrollees in 2017, up from 61% in 2007
- Encounter data
 - Usability of the data to compare MA and FFS
 - Using encounter data to re-set the risk model
- Nonmedical benefits
 - Allows greater flexibility to plans in designing benefits for particular populations

Contact Information

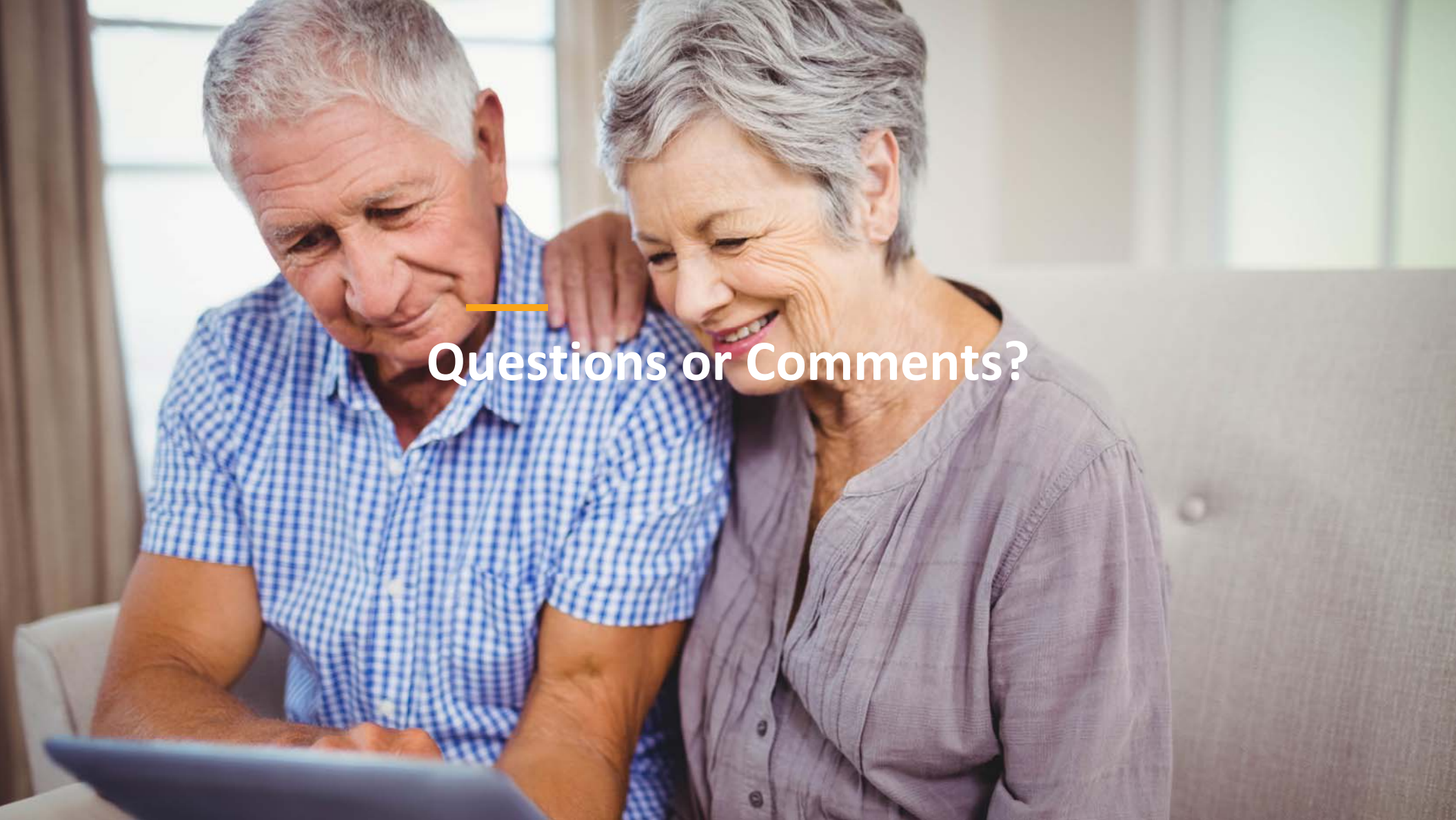
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Questions or Comments?