Medicare Advantage Concerns

$12 B Excess Payments to MA Plans From Risk Scores (2020)

MedPAC, the non-partisan commission that makes policy recommendations to Congress, discussed Medicare Advantage (MA) in great detail at its January meeting (here). Given that MedPAC recommendations are typically only considered when pay rates in Medicare are high or patterns are problematic, we wanted to provide highlights of key discussion points.

- **Concern over Medicare Advantage risk scores, coding intensity and chart reviews/HRAs.** Findings on Medicare Advantage (MA). The commission found:
  - **In 2022 most MA plans bid below local fee-for-service (FFS) spending**. MA plans have an incentive to code more diagnoses leading to greater MA risk scores for equivalent health status. Recall plans benefit from the delta between bid and benchmark with rebates.
  - **2020 MA risk scores were about 9.5% higher than FFS generating $12 B in excess pay to MA plans**. Medicare is paying MA plans 4% more than FFS Medicare for similar enrollees, after the coding adjustment of 5.91 (minimum required by law).
  - **Estimates that chart reviews and HRAs account for nearly 2/3 of excess payments to MA plans**. Health Risk Assessments (HRA) and chart reviews vary substantially within MA. Variety in coding intensity across MA contracts generates payment inequity and can influence rebates.
  - **COVID-19 low utilization has increased plan profits for 2020 and likely for 2021**. Plans remain concerned about delayed care rebounding, but that has not yet taken place.
  - **If enrollment trends continue, the majority of Medicare beneficiaries with Part A & B will be enrolled in MA by 2023**. 46% of Medicare beneficiaries are enrolled in MA plans. The average beneficiary has a choice of 36 plans, and the average MA enrollee has access to nearly $2,000 in annual extra benefits.

- **No concrete recommendations were provided, but CMMI leadership notes concerning upcoding trends.** The Center for Medicare and Medicaid Services (CMMI) released a strategic plan (here) and is a vocal fan of value based care, with broad goals of accountable, equitable, patient centric care by 2030. CMMI notes that innovation should be around care delivery, and not just gaming the system with upcoding (here). In one of the models, CMMI has an overall constraint on risk score growth applied across the entire program. It is also applied individually to specific model participants.

- **MedPAC generally supports MA as it can be more efficient than FFS Medicare, but notes there should be consequences for upcoding.** The avg beneficiary has access to 36 plans with nearly $2,000 in extra benefits, yet CMS is paying MA plans 4% more than FFS for similar enrollees. The Commission agrees that there should be consequences for upcoding, with audits and penalties. Emphasis on determining matches between coding and treatment (Ex. If coded for clinical depression, evidence of treatment or medication needs to be found in the medical record). There should be a focus on how beneficiaries are accessing specialty care & How often people switch out of MA, especially when they become ill and need out of network service. More estimates needed regarding whether Medigap drives benchmarks up. Is it time to separate FFS and MA price determinations?

- **OUR TAKE / NEXT UP**: We believe that risk adjustment / coding intensity concern from policymakers is real in terms of the desire to do something. CMMI leadership said as much in recent events (here). What is unknown is how Congress or CMS/OIG would address the issues discussed at great length by MedPAC: Does it involve Audits? Coding intensity adjustment? New model?

Contact Ipsita Smolinski - 202.250.3741 - Ipsita@capitol-street.com

Something else? And what about SDOH (health equity)? Risk adjusted pay typically *benefits* underserved populations. Proposed MA 2023 rates are coming shortly (under review here). We expect the 2023 Rate Notice over the next couple of weeks. Typically the advanced notice comes in February with a final rate notice the first Monday in April. MedPAC supports MA and believes the program can run more efficiently than FFS. However, it remains problematic if the MA system increases overall Medicare spending.

Contact Ipsita Smolinski - 202.250.3741 - Ipsita@capitol-street.com