MA for TOMORROW
ACHP'S VISION FOR MEDICARE ADVANTAGE

TRANSFORMING BENCHMARKS

A majority of Medicare-eligible seniors are enrolled in MA.

Benchmarks are the cornerstone of Medicare Advantage (MA) payments, marking the maximum per beneficiary monthly payment to a health plan to cover basic Medicare benefits. The benchmark methodology is based on average spending in traditional fee-for-service Medicare, adjusted by county. However, that formula is outdated now that a majority of Medicare-eligible seniors are enrolled in MA. With MA enrollment continuing to surge and fee-for-service shrinking nationwide, basing MA payment benchmarks solely on local fee-for-service costs does not accurately forecast the true costs of delivering care to seniors enrolled in a MA plan in that area. A new MA benchmark methodology better reflecting average Medicare costs in any given area with incentives to achieve high quality will drive fiscal sustainability of the program.

MA for Tomorrow transforms the MA benchmark methodology, reducing the reliance on local fee-for-service costs and better reflecting the changing composition of Medicare enrollment.

***MA for Tomorrow* incorporates stronger incentives for delivering high-quality care, removing restrictions on the quality bonus and reflecting costs for consumers enrolled in both Medicare Parts A and B by:**

1. Removing the Benchmark Cap

MA plans are incentivized to deliver high-quality care through the quality bonus program. By rewarding plans achieving 4-stars or higher, quality bonuses support consumers with reduced cost-sharing or increased benefits. An unintended error of the Affordable Care Act created a benchmark cap, limiting MA payment and preventing some MA plans from receiving the full quality bonus. The benchmark cap undermines quality incentives and penalizes consumers based on where they live.

***MA for Tomorrow* removes the benchmark cap, allowing all high-quality plans to receive their full quality bonus and deliver enhanced benefits and lower costs to consumers.** Congress can fix this unfair geographic penalty and allow all seniors to have access to high-quality health plans driving affordability with their full quality bonus.

2. Calculating MA Benchmarks with Consumers in Both Medicare Part A and Part B

To enroll in MA, a consumer must have both Medicare Parts A and Part B. Seniors continuing to work past age 65 enroll only in Medicare Part A if their health care is offered through an employer. Today, MA benchmarks are based on consumers with either Medicare Part A or Part B, skewing the average cost of delivering care to a consumer enrolled in both.

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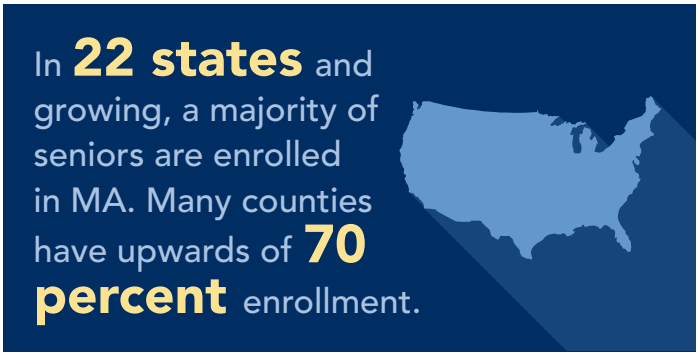
***MA for Tomorrow* calculates benchmark rates using beneficiaries with both Medicare Parts A and Part B, reflective of the seniors enrolled in the program.** MedPAC and CMS' actuaries have acknowledged that the MA benchmark should be calculated this way for years. CMS has the authority to adjust the benchmark calculation in the annual Rate Notice.

3. Blending Local and National Costs to Establish MA Benchmark

CMS annually establishes a benchmark in every county across the nation using the local fee-for-service costs in that county. A majority of seniors are now enrolled in MA in 22 states, with more states reaching majority MA enrollment in each year. In many counties, upwards of 70 percent or more of seniors are enrolled in MA. As more seniors continue to select MA, basing MA benchmarks just on local fee-for-service costs will no longer represent a fully credible calculation for benchmarks and distorts the cost of delivering care.



***MA for Tomorrow* blends local and national fee-for-service costs in establishing the MA benchmark.** Utilizing a 50/50 blend of national and local costs improves benchmark credibility and minimizes geographic variance. As the number of consumers enrolled in MA continues to grow, Congress should blend the MA benchmark calculation and ensure geographic benchmark equity for seniors.

4. Restructuring Rebates to Incentivize High Quality

MA plan payments are based on a plan's bid plus the "rebate." The rebate is calculated by applying a percentage to the difference between the MA benchmark and the bid submitted by the plan. The rebate percentage varies, with 4.5- and 5-star plans receiving 70 percent, 3.5- and 4-star plans receiving 65 percent and 3-star and under plans receiving 50 percent. Without additional tiers and meaningful difference in rebate percentage, the incentive for MA plans to strive to improve their star rating is diminished. Achieving high quality requires significant plan commitment, resources and coordination. It can cost plans more to achieve high quality than the reward for achieving a higher star rating.

***MA for Tomorrow* restructures rebates to create meaningful incentives for plans to deliver higher quality care.** Rather than collapsing star ratings into limited tiers, each star rating would have its own rebate percentage, directly rewarding and distinguishing higher quality. Health plan investment and success in achieving quality should be recognized. Congress should restructure rebates and drive MA quality even higher.

For more information please contact us at info@MAforTomorrow.org.